Supreme Court, U.S.
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IN THE

Supreme Court of the United States

DR. KLAUS G. SCHROEDER

Petitioner,

v.

AEL INDUSTRIES, INC.
TRACOR, INC.
MARCONI AEROSPACE ELECTRONIC SYSTEMS
BAE SYSTEMS, PLC

Respondents

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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14/pp

QUESTIONS PRESENTED

1. Whether the U.S. Court of Appeals for the Federal Circuit and the U.S. District Court can ignore the 5th & 7th Amendments of the Constitution and deny due process by never holding a single hearing; and by eliminating vital evidence without giving petitioner a chance to correct mere technical deficiencies.

2. Whether the U.S. Court of Appeals and the U.S. District Court can violate Rule 56 (c) of the F.R.C.P, by a) Trying the facts (usurping the power of a jury); b) Making credibility determinations (again a jury function); and c) Looking at the facts in the light most favorable to the moving party; specifically, whether the Courts can ignore Rule 56 by resting on Anderson v. Liberty Lobby.

3. Whether the Defendants, the U.S. Court of Appeals for the Federal Circuit and the U.S. District Court can violate 42 USCS § 1985 (3) of the Civil Rights Act of 1964, as Amended; and conspire to interpret the language of a foreign-born pro se litigant in the most damaging way, rather than giving him the benefit of the doubt and use other possible interpretations, available from legal dictionaries, which he had to use in the absence of elementary and high school English language training.

4. Whether the U.S. Court of Appeals has violated the 5th & 7th Amendments of the Constitution and denied due process by ignoring local rule violations by opposing attorney (who did not aver under penalty of perjury) and by accepting (and incorporating in its opinion) deliberate false statements by opposing attorney that a) Invention was made at employer; and b) Notebook entries showing pre-employment invention were "HEARSAY". Thus, whether the U.S. Court of Appeals for the Federal Circuit did serious damage to any creative, productive inventor who wants to protect his intellectual property, and who did everything legally necessary to preserve his complete rights in his inventions. Did opinion thus negatively affect many thousands of the most creative employees, whose valuable contributions our Nation has the

privilege to enjoy; and which it desperately needs to stay economically viable against the ever-increasing onslaught of international competition.

5. Whether the U.S. Court of Appeals for the Federal Circuit has incorrectly denied petitioner an award of royalties for defendant's infringement of petitioner's patents.

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The patentee Dr. Klaus G. Schroeder respectfully petitions for writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case. As reflected in the title page, two other defendants have been brought in by joinder: Marconi Aerospace Electronic Systems (an interim owner of the infringing production facility formerly known as AEL Industries) and BAE Systems plc, the ultimate corporate parent since November of 1999. Both the Court of Appeals and the District Court have been notified and the notices should be on file despite opposing attorney Lavorgna's pleading to the respective Clerks of the Court to ignore the filings. Mr. Lavorgna also failed to include BAE Systems plc on his Certificate of Interest attached to several of his pleadings (motions, oppositions, replies) since November 1999.

In the alternative, Dr. Schroeder petitions for summary reversal.

OPINIONS BELOW

The opinion of the Court of Appeals is shown in Appendix A. The opinion of the District Court is shown in Appendix B. It appears that neither opinion has been reported. Appellant's Motion for New Trial/ Reconsideration was denied by the District Court (Appendix E), and Defendants' Motion for Dismissal was granted (Appendix F).

STATEMENT OF JURISDICTION

The judgment of the Court of Appeals was entered on November 5, 1999, and a timely petition for rehearing with suggestion for rehearing 'en banc' was denied on January 13, 2000, without opinion. Also denied was Appellant's Motion for Sanctions against opposing attorney, who had lodged false statements into the appeals merit panel via a motion for sanctions because of "frivolous appeal". (Appendix C, D). This Court's jurisdiction rests on 28 U.S.C. §1254(1).

STATUTORY PROVISIONS INVOLVED

Article V of the Amendments to the Constitution of the United states , the complete text of which is set forth at Appendix G, provides:

"No person shall be ... deprived of ... property without due process of law."

Article VII of the Amendments to the Constitution of the United states, the complete text of which is also set forth at Appendix G, provides:

... the right of trial by jury shall be preserved ...

42 U.S.C. § 1985(3) of the Civil Rights Act of 1964, as amended, Provides that no person shall be discriminated against by conspirators because of national origin.

Rule 56 of the Fed. R.C.P., the complete text of which is set forth in Appendix H, provides:

(e) FORM OF AFFIDAVITS; FURTHER TESTIMONY; DEFENSE REQUIRED. Supporting and opposing affidavits shall be made on personal knowledge, shall set forth such facts as would be admissible in evidence, and shall show affirmatively that the affiant is competent to testify to the matters stated therein; sworn or certified copies of all papers or parts thereof referred to in an affidavit shall be attached thereto or served therewith.

The United States patent code provides for award of damages to owner of infringed patent under 28 U.S.C. 1338; 35 U.S.C. 271; 35 U.S.C. 281 et seq.

STATEMENT OF THE CASE

This case involves constitutional rights violations, civil rights violations, violations of federal procedure, violations of appellate court local rules, and serious discrepancies between the findings of the U.S. Court of Appeals for the Federal Circuit and findings of the U.S. Court of Appeals for the First, Second, Fourth Fifth, Sixth, Seventh, Eighth and Ninth Circuit, as well as findings of the Supreme Court.

The petitioner, Dr. Klaus G. Schroeder, is a retired aerospace engineer, who got interested in building radios at age sixteen, sold radios in Germany until age eighteen, studied Electrical Engineering at the Technical University of Munich, and came to the United States in 1957 (at age 27) to work for the U.S. Army's White Sands Missile Range in New Mexico, under "Project Paperclip", the Army's recruitment program for European scientists. Dr. Schroeder left the Civil Service to work for General Electric in Syracuse, N.Y., where he became involved in antenna studies for Over-the-Horizon radar. (At White Sands he had worked on range instrumentation antennas, and filed his first patent application for a microstrip antenna.) After three years Dr. Schroeder accepted a position at Collins Radio in Dallas, Texas, to work in the Antenna Division. During the trip to Dallas Dr. Schroeder conceived a broadband matching method for high frequency elements in a phased array, a problem he was confronted with at General Electric. He documented the idea in his engineering personal notebook, which he had started while at White Sands. He signed a patent agreement at Collins, and when the company's patent attorney, Mr. Warren Kintzinger, saw his design and encouraged him, he filed a patent application for the "Complementary Pair Element Group" (or "CPEG") in 1965. The patent was assigned to Collins, but Mr. Collins had a personal aversion to certain types of antennas and never used the patent, which ran out seventeen years after issue. In 1967 Dr. Schroeder left Collins, and worked at a number of firms some of which also made him sign a patent agreement. In those patent agreements Dr. Schroeder always exempted his prior inventions, especially the Complementary Pair, which he knew would become very useful and valuable some day. In 1979 Dr. Schroeder founded "Schroeder Engineering" as a consulting firm in West Los Angeles. Since his old patent notebook had been thrown away by his ex-wife in the course of a bitter divorce, Dr. Schroeder started a new notebook for "Schroeder Engineering", in which he reported various antenna designs, with emphasis on the Complementary Pair. He also discovered the theoretical reason for the matching process involved, and invented a new steerable broadband array using the complementary pair. These inventions are reported in the new notebook, and the most important entries pertaining to this

infringement litigation are shown in Appendix AA, Appendix BB and Appendix CC in the 8½ X 11 Volume entitled "SECOND APPENDIX - LODGINGS". "Schroeder Engineering" was not economically viable, partly because of the divorce, and Dr. Schroeder accepted employment at Rockwell and then at Lockheed. At both companies Dr. Schroeder exempted his prior inventions which numbered ten by now. Both companies also guaranteed profit sharing in return for assigning inventions. The royalty plan at Lockheed was especially attractive, and some inventors are collecting more in royalties than their annual salary. All this background information is important because it leads up to the two most flagrant denials of petitioner Dr. Schroeder's rights as guaranteed by both the constitution and the Civil Rights Act: He was denied due process when claiming his intellectual property, and he was discriminated against when not giving him the benefit of the doubt as a foreign-born citizen when it came to interpreting the wording of his pleadings. There may be additional discrimination based on the fact that he was born in Germany, a former enemy nation in World War II. When Dr. Schroeder signed the "EMPLOYEE'S AGREEMENT" one day before starting work at AEL Industries in May of 1983, (see Appendix EE in the lodgings volume), he had to assume that the exemptions listed in Section II of the agreement would provide full and complete protection of his intellectual property consisting of (then issued) sixteen patents and ten non-patented inventions. This includes patent rights AND shop rights for the ten non-patented inventions, and shop right for the sixteen patents. This could be ascertained from the wording "ALL RIGHTS" in other sections of the agreement. The District Court could not interpret this wording differently without discriminating against Dr. Schroeder on the basis of his limited grasp of some finer nuances of legal English, when Dr. Schroeder's entire education (elementary school, high school and college) took place in a foreign country. Even for U.S. born citizens their understanding is what counts, according to a decision by the Ninth Circuit: United Association Local 38 v. Aetna Casualty and Surety Co. 790 F.2d 1428 (9th Cir., 1986) See Appendix N. This must be especially true for citizens of different national origin!

In this authority the court ruled:

> "...If the interpretation of the language of the contract were the sole issue, the court might be able to resolve the matter on summary judgment for only questions of law would be in controversy. ..However, this case cannot be so easily resolved, for where the controversy centers not on interpretation of the contract but on whether the terms of contract were met the case must be submitted to the trier of fact...The specific issue here is the meaning or interpretation to be given the material furnished to defendants by plaintiffs. To put it slightly differently, what should the insurance company have understood from the information it was given. Viewed in the light most favorable to plaintiffs, the statements contained in furnished material at the very least raise a genuine issue of material fact as to whether they constitute the notice that the contract requires. Therefore, a material issue of fact is in controversy, and summary judgment ... must be denied."

The defendants, and the District Court, later claimed that the "EMPLOYEE'S AGREEMENT" (Appendix EE) was "silent on the issue of shop right", a position which is in direct conflict with the 9th Circuit as cited above.

Petitioner, having been coerced to sign the "EMPLOYEE'S AGREEMENT", made sure not to leave any doubts as to his intentions regarding the exempted patents and inventions: When the question of improving the PIRANHA system came up, and he suggested and placed on sale ("OFFERED") one of his exempted inventions, the "complementary pair", Dr. Schroeder sent a memo to the parties at AEL he considered involved and important which described the inventions, as much as he could considering he still had not moved his household goods. (Appendix FF as lodged). Soon after Dr. Schroeder sent his memo to Mr. Kane in personnel, he overheard a conversation between Mr. Bohlman, the other recipient of the memo and Dr. Schroeder's immediate supervisor, and an unknown party in which Mr. Bohlman made apologetic remarks

about the fact that Dr. Schroeder had itemized his proprietary intellectual property. Becoming suspicious, Dr. Schroeder requested to see his personnel file. Much to his amazement he found copies of several letters going back and forth between Bohlman, Lipsky (Senior Vice President of Engineering), Griffin (Director of Personnel) and Cox (Legal counsel). In those letters Lipsky first asked : (approximate wording) "..,can Schroeder claim ownership of the ideas he listed.." to which Cox replied : (approximate wording) "..It is not clear what the exact legal situation is here.." Thus forewarned, and BEFORE he started allowing AEL to make feasibility tests of his "COMPLEMENTARY PAIR" antenna installed on a scale model of a "Dragoon" military vehicle, Dr. Schroeder started a series of in-house declarations of his ownership of the invention and his desire to obtain payment in one form or another. (Royalties, purchase, employment contract etc.) This series is described in his "DECLARATION OF ARTICULATIONS OF EXPECTATIONS OF MONETARY OR OTHER COMPENSATIONS", Appendix J.

The following facts must be stressed:

a) In the first and first amended complaint Dr. Schroeder stated he "OFFERED" the complementary pair to AEL. This "OFFER" constituted a suggestion to FEASIBILITY TEST ON MODELS AND MOCK-UPS of some military vehicles to convince management and potential customers. It did NOT authorize the eventual USE of the invention in actual working systems.

b) There was never any USE of Dr. Schroeder's invention(s) in actual working systems as is the case in the much-cited authority McElmurry v. Arkansas Power & Light Co. 995 F.2d 1576 (Fed. Cir, 1993) This authority was also quoted in error by both the District Court and the Court of Appeals for the Federal Circuit, because Dr. Schroeder brought his finished invention with him. More on this when discussing the summary judgment and the appeal.

c) The notebook entries shown in Appendix AA, BB and CC are

NOT HEARSAY. They are exempt from the hearsay rule because they are business records. (They also have been notarized, and the notarization papers will be presented at any future hearing.)

d) There are no authorities showing an award of shop right for the exact set of facts present in Dr. Schroeder's infringement case. Two comparison matrices were shown to exemplify this and are repeated in the lodgings of Appendix HH.

During his employment at AEL, Dr. Schroeder worked on many antenna programs which were all very successful, both technically and financially. With that work he more than fulfilled any expectations an employer could have about the industriousness and creativity of technical employees. But he never left any doubt about the ownership of HIS inventions, moved to protect it when necessary, and documented it, as in the memo to Charles Smith (App. GG) regarding release of his proprietary ideas outside AEL where it could be further distributed and become public domain. The remark about being glad to see AEL "benefit from the existence of a technological edge.." however, does not prove acquiescence in the USE of the invention, and no such use took place until long after Dr. Schroeder left the company. Also, the remark in one of his pleadings that had he demanded royalties in a meeting with Lipsky, where Lipsky questioned him about the Smith memo "...he would have gotten fired right there and then..." does NOT PROVE that a) Dr. Schroeder NEVER ASKED FOR REMUNERATION PRIOR TO THAT MEETING (a time span of over two years), b) that Dr. Schroeder never asked for remuneration AFTER that meeting from other AEL people, such as chairman Riebman. The choice of words (...he would have been fired right there and then...) was perhaps misleading, and should have been prefaced with something like "In retrospect." Furthermore, the remark "...or any time after that..." refers to meetings with Lipsky, not to the whole company. This entire set of "evidences" that the defendants refer to is clearly ā case of discrimination because of limited language skills of a person of different national origin, exploited via a conspiracy between John Cox of AEL and Gregory Lavorgna of the Law firm Seidel, Gonda, Lavorgna etc. In July of 1988, about three years after the "Smith

Memo" (Appendix GG) and after the "JAM-ON-THE-MOVE" study with the U.S. Army's Vint Hill Farm Signals Warfare Laboratory was completed, Dr. Schroeder was given a letter by the Army wherein they suggested that a patent application should be filed on the antenna tested in that program. Since Dr. Schroeder had already obtained patent protection on his proprietary low-profile wire-outline complementary pair, he told AEL management that this was not an Army idea, and showed a copy of his letters patent to various people at AEL. Returning from a Labor Day trip to California, Dr. Schroeder was summoned to Mr. Cox's office, where John Cox tried to coerce him into assigning the patent to AEL. Dr. Schroeder refused, and repeated his offer to sell the patent for a ten-year employment contract (which would lead into retirement), at which point Mr. Cox counter-offered with a payment of patent filing fees. Dr. Schroeder labeled the counter-offer ridiculous, whereupon Mr. Cox produced the rough draft of a complaint to be filed by AEL in the Pennsylvania Court of Common Pleas suing Dr. Schroeder for the patent. Dr. Schroeder asked on what grounds AEL thought they could sue him, and Mr. Cox claimed that Dr. Schroeder's patent amounted to "stealing". Dr. Schroeder replied that it was AEL that was stealing his ideas, and the meeting ended by Mr. Cox escorting Dr. Schroeder to a conference room, where Mr. Lipsky appeared and, in the presence of Mr. Cox and Mr. Griffin informed him that he was being terminated. The termination proceedings were recorded by Dr. Schroeder, whereas Mr. Cox had not permitted a recording in his office.

A few weeks later Dr. Schroeder filed for unemployment compensation, and while at the unemployment office was told AEL had told them he had been fired for "willful misconduct". Dr. Schroeder appealed to the Referee, and the local office ruling was reversed. AEL then went to the State Board in Harrisburg in an apparent attempt to establish "res judicata" in the matter of filing a patent ("willful misconduct"), but the State Board found for Dr. Schroeder. Thus, AEL'S claim that Dr. Schroeder violated his EMPLOYEE'S AGREEMENT was denied, and res judicata was established in Dr. Schroeder's favor. AEL also filed a complaint in the Court of Common Pleas in Norristown, PA, to which Dr.

Schroeder counter-sued. When Dr. Schroeder took a job in Fort Worth, Texas, he could no longer continue discovery for his countersuit, and the Court deactivated the case after a year.

Dr. Schroeder kept track of AEL'S business ventures, and as a stockholder received annual reports. When AEL announced plans to sell the company, Dr Schroeder notified Dr. Riebman of his desire to receive proper compensation for his patents before the merger went through. Not totally unexpectedly, Dr. Schroeder received another refusal, combined with a threat that if he did anything to jeopardize the merger, AEL would hold him financially responsible. Dr. Schroeder, therefore, waited until the merger was announced, and then requested remuneration from the new owner, Tracor, pointing out that AEL had misrepresented their patent ownership in the prospectus. When Tracor handed that request back to Mr. Cox, Dr. Schroeder filed a complaint for patent infringement in U.S. District Court in Riverside on April 10, 1996., against Tracor. A motion for dismissal because Dr. Schroeder supposedly sued the wrong party was answered by Dr. Schroeder with the filing of a first amended complaint (FAC) where AEL (supposedly an independent corporation) was added as a defendant, jointly and severally. Since defendants did not file an answer, Dr. Schroeder filed a motion for summary judgment, which was denied without a hearing. AEL and Tracor then filed for dismissal on the basis of McElmurry v. Arkansas Power and Light, and was granted the motion over Dr. Schroeder's opposition, but he was given leave to amend the complaint. Dr. Schroeder filed the second amended complaint (SAC) without an appendix so as to remove the word "offer", since that was the only evidence the defendants could muster. Dr. Schroeder did not file an appeal against the dismissal, because the judgment was not final. (Please see Appendix F for order granting dismissal.) Tracor then "requested" to convert the motion for dismissal into a motion for summary judgment. There is no written record of this "request", so that petitioner Dr. Schroeder suspects there was some ex-parte discussion on the matter to which he was not invited. When both Motions for Summary Judgment arrived, Dr. Schroeder filed an opposition in which he included a "DECLARATION OF ARTICULATIONS OF EXPECTATIONS

OF MONETARY OR OTHER COMPENSATIONS" which is shown in Appendix J. Without giving Dr. Schroeder a chance to add an affidavit verifying said "DECLARATION" under penalty of perjury, or holding a hearing on the motions (where the verification would have been automatic) the District Court, after a sixteen-month delay, issued an order and opinion granting both summary judgment motions. The important motion was, of course, the AEL motion which claimed shop right on the basis of equitable estoppel. The court had disallowed Dr. Schroeder's "DECLARATION" because it did not have an affidavit attached, and further made the credibility determination that the declaration was proven not credible because of other statements by Dr. Schroeder. The District Court thus violated Rule 56, and several authorities which demand that the Non-Movant be given the benefit of the doubt and every opportunity to correct mere technical deficiencies in the pleadings or presentation of evidence. The District Court did neither. When Dr. Schroeder resubmitted the important evidence (the "Declaration") under penalty of perjury, the Court labeled it a "Motion for Reconsideration" and denied it because the requirements for such a motion had not been met, again not giving Dr. Schroeder the chance to correct deficiencies which had been created by the Court's own relabeling. Dr. Schroeder then filed a motion for a new trial, which again was relabeled as a motion for reconsideration, because..." there never was a trial". And there never was a hearing, of course. The errors and violations of both Rule 56 and various authorities are amply described in the "Motion for a New Trial", shown in Appendix I. Viewed in toto, the District Court's actions amount to a clear denial of due process as guaranteed by the Filth, the Seventh and the Fourteenth Amendments to the Constitution of the United States.

As was mentioned earlier, the District Court also made an incorrect evaluation of the "EMPLOYEE'S AGREEMENT" AND TOOK THE DEFENDANTS' POSITION IN CONFLICT WITH THE NINTH CIRCUIT, deciding the meaning of the agreement as "a matter of law", when AEL should have (and indeed did as proven by the letters deposited in Dr. Schroeder's personnel file) understood what he meant by the exemptions, followed up by detailed enumerations. The District Court also allowed the word "OFFER"

to be reintroduced as "evidence" for "acquiescence" by Dr. Schroeder. In truth, the Defendants could not rest on this sole piece of "evidence" because it was not averred under penalty of perjury as required by Rule 56. (More on this in the following section.) Therefore, DEFENDANTS NEVER MET THEIR BURDEN OF PROOF, SO THAT A BURDEN OF PROOF ON THE NONMOVING PARTY NEVER EXISTED. The District Court's denial of the Motion for a New Trial is shown in Appendix E, attached.

Dr. Schroeder now made a timely appeal to the Ninth Circuit, which was transferred to the Federal Circuit at the insistence of defendants. Dr. Schroeder resubmitted his appeal to the U.S. Court of Appeals for the Federal Circuit, and while the case was waiting for the merit panel, Defendants (through attorney Lavorgna) filed a motion for dismissal and sanctions because of frivolous appeal under FRAP 38. Circuit Judge Plager forwarded the motion to the merit panel, which now had Mr. Lavorgnas distortions of the facts before them in addition to the appeal, opposition and reply papers. The merit panel decided the FRAP 38 motion together with Appeal on November 5, 1999. As feared, Mr. Lavorgna's falsehoods had their desired effect ("Aliquid semper haeret") and the appeal was denied. In their opinion, Judge Clevenger stated that Dr. Schroeder "...filed for a patent in violation of the employment agreement..", and ignored the existence of notebook entries proving invention prior to employment. (The notebook entries had been declared "HEARSAY" by Mr. Lavorgna, who also claimed that the District Court had designated them as hearsay, another falsehood.) Obviously, the merit panel believed that the invention was made at AEL, which then made it simply a question of equitable estoppel. Dr. Schroeder filed a timely petition for rehearing together with a suggestion for En Banc. He also filed a Motion for Sanctions under FRAP 46, to which Mr. Lavorgna responded with another (Cross-) motion for frivolous motion, and an opposition in which he reasserted his falsehoods. The opposition, however was not accompanied by an affidavit averring the truth of his statements under penalty of perjury. Dr. Schroeder, therefore, requested in his reply papers that the motion should be granted under local rule 27(a)(8) and 27(b)(1). However,

either the merit panel did not get the reply, or ignored it, because on January 11, 2000 the motion for sanctions was denied, and on January 13 the petition for rehearing was denied. (See Appendix C and D.)

In its "de novo" decision the Federal Circuit merit panel fell back on the erroneous claims already sanctioned by the District Court that

a) The word offer constituted burden of proof for the Defendants; and

b) There was actual "USE" of Dr. Schroeder's inventions in a working system at AEL in the sense of McElmurry v. Arkansas Power & Light.

In addition, the merit panel ignored Dr. Schroeder's evidences, i.e. the notebook entries proving prior invention and the declaration of articulations of expectations of monetary or other compensations proving beyond a shadow of a doubt the lack of acquiescence. The only concession to Dr. Schroeder's "DECLARATION..." is found in the statement: "The parties dispute whether Schroeder demanded royalties at that time." (The time when Dr. Schroeder suggested that his complementary pair be tested for potential use in the PIRANHA II system.) The fact that there is a dispute about that in and of itself is grounds for denial of a summary judgment motion. There is absolutely no case law that states how many times an expectation of royalties has to be articulated. (App. A at 2a)

The Federal Circuit merit panel further went on to claim that Dr. Schroeder had violated his employment agreement by filing two patent applications. This conclusion could only have been reached if the panel

a) Did not read the "EMPLOYEE'S AGREEMENT" (correct title!)

b) Read and believed Mr. Lavorgna's claim (in the motion under FRAP 38) that the invention(s) were made at AEL. (App. A at 5a)

The merit panel then quoted Anderson v. Liberty Lobby, apparently so as to justify (and affirm the District Court's) usurping fact trial and credibility determinations instead of a jury doing that. It is not surprising, therefore, that the lip service to Anderson was just that, and all reasonable factual inferences were NOT drawn in favor of Dr. Schroeder.

Further proof that the merit panel believed Lavorgna's claims is the statement: "Upon learning that Dr. Schroeder had independently filed two patent applications IN VIOLATION OF HIS EMPLOYMENT (SIC) AGREEMENT, AEL discharged Schroeder in September 1988 " (App. A at 3a).

Any agreements as to filing patents on inventions clearly applies only to inventions made while at AEL. It cannot apply to exempted patents (obvious), and it cannot apply to previous inventions not yet patented. Again, from Dr. Schroeder's frequent assertions of ownership of proprietary information AEL should have understood what Dr. Schroeder expected with regard to the exemptions. If AEL wanted the agreement to give them a license to steal previous inventions, and the lower courts used their discretion to interpret the agreement in such a fashion as a matter of law, this would be tantamount to sanctioning fraud in the inducement and would not only be a violation of the Fifth and Seventh amendments, but would involve the lower court judges in a conspiracy to deprive Dr. Schroeder of his property, and would be illegal under 42 U.S.C. 1985(3), because:

> "Federal Officials should be considered persons within meaning of 42 U.S.C. 1985(3). Founding Church of Scientology v. Director FBI
> (1978, DC Dist. Col.) 459 F Supp 748, 26 FR Serv.2d 933.

Another example of the merit panel's assumption that the inventions were made at AEL (as Lavorgna claimed) is the statement: "...when Schroeder finally did reveal that he owned a patent...he was immediately terminated for breach of contract." (App. A at 5a). There could not be a breach concerning the prior inventions. Unless

all judges made the interpretation mentioned above, of course, which again would conflict with United Association Local 38 v. Aetna Casualty and Surety Co. (See page 4 above.)

The biggest distortion of the facts perpetrated by the defendants, is, however, the steadfast assertion that the inventions were "USED" by AEL, and the defendants never missed an opportunity to insert this claim into the record. They did so because without the existence of this "fact" and in the absence of an invention at AEL there would be no possible case for shop right. However, McElmurry was decided on the basis of actual USE at the employer, i.e. the invention was employed in equipment the company needed in its performance of everyday business. No such application of Dr. Schroeder's patent took place while he was at AEL. The company did not "commit itself" to USE of the patent(s) until the prototype development, which AEL won (largely due to Dr. Schroeder's antenna) against Hughes Aircraft long after Dr. Schroeder departed.

Up until that prototype TACJAM-A contract, there were only exploratory feasibility tests, and Hughes tried to convince the Army that their system was better, including an antenna by Electrospace Inc. The other infringement of Dr. Schroeder's patent(s) was the PIRANHA II system, a prototype of which was also developed AFTER Dr. Schroeder had left AEL, a working system being supplied for the Gulf War in 1991. The Federal Circuit's decision is thus in conflict with Small v. Heywood Wakefield, (1937 CCA lst) 87 F.2d 716 (affirming 1936 D.C.) (App. I, 50a) and (App. M, 80a)

Also, the "acquiescence" claim by defendant AEL is directly contradicted by Mr. Cox's letter of 13 November 1995, which also contains the implicit admission that AEL committed fraud in the inducement by repeating the claim that "U.S. Patent No. 4,750,000 is the property of AEL..." (App. JJ)

REASONS FOR GRANTING THE WRIT

THE PETITION SHOULD BE GRANTED BECAUSE THE OPINION(S) BELOW CONFLICT WITH DECISIONS OF THE FIRST, SECOND, FOURTH, FIFTH, SIXTH, SEVENTH, EIGHTH AND NINTH CIRCUIT, AS WELL AS DECISIONS BY THE U.S. SUPREME COURT; WITH CIVIL RIGHTS ISSUES; WITH RULE 56 OF THE F.R.C.P.; AND WITH AMENDMENTS FIVE AND SEVEN TO THE CONSTITUTION OF THE UNITED STATES IN MATTERS OF NATIONWIDE SIGNIFICANCE TO ALL EMPLOYERS AND EMPLOYEES INVOLVED IN INTELLECTUAL PROPERTY RIGHTS PROTECTION FOR THE INDIVIDUAL INVENTOR.

The above discussion of the case made it clear that there are genuine issues of material fact regarding the time of invention(s); the understanding by AEL regarding its obligations with respect to the exemption of inventions; whether there was breach of contract and by whom; the admissibility of notebook entries; the admissibility and credibility of petitioner's written testimony; the credibility of defendants' evidence; and whether the inventions were subjected only to experimentation or to actual USE in working systems. The Federal Circuit in its decision in this case is in conflict with virtually every other circuit when it comes to granting summary judgment.

In addition, there are serious questions regarding the constitutionality of both the Federal Circuit and the District Court making rulings without holding ANY hearings and without a jury trial; and there is the strong possibility of a conspiracy between Mr. Cox and Mr. Lavorgna with the intent to defraud a former foreign national out of property. (Mr. Cox admitted in a letter to Dr. Schroeder that... "You and we have had numerous conversations and instances of correspondence regarding your unfounded claims against AEL, both DURING AND AFTER YOUR EMPLOYMENT...") (Appendix JJ, Letter by John Cox.)

The Courts of Appeal have uniformly held that summary judgment is not appropriate when..: "Indeed in many...actions there

will be issues as to the knowledge, intent and motive which will require a full trial with an opportunity to observe the demeanor of the witnesses, and to conduct cross-examinations in open court. In such cases summary judgment cannot be granted even after discovery has been had. "Schoenbaum v. Firstbrook (C.A. 2d, 1968) 405 F.2d 215, 218, cert. denied, 89 S.Ct.1747,395 U.S. 906 Note that the District Court in our case even denied discovery against AEL.

In the First Circuit it was found that:

The standard of review is a rigorous one, and not even one chink in the armor of decision can be vulnerable to the question: taking the facts and inferences most favorable to the losing party, would a trier of fact nevertheless have to find against him? Rogan v. Ilikon Corp. (C.A, lst 1966) 361F.2d 260, 266

In the Second Circuit it was held that:

On defendant's motion for summary judgment, if any facts asserted by plaintiff are contradicted by defendant, facts as stated by plaintiff must be taken as true, Zell v. American Seating Co. (C.C.A. 2d, 1943) 138 F.2d 641, reversed on other grounds 1944, 64 S.Ct, 1053, 322 U.S. 709.

Also in the Second Circuit:

In determining whether to grant a motion for summary judgment, the Court cannot try issues of fact, but only can determine whether there are issues to be tried; the court must accept as true factual statements in the opposing party's affidavits, draw all permissible inferences in that party's favor, and resolve any doubts in favor of the latter. Bianco v. Board of Trustees of Local 816 Labor & Management Pension Trust, D.C.N.Y. 1980, 494 F. Supp. 206.

The Fourth Circuit has held:

When plaintiffs incorporate admissions to which they refer in an affidavit of affiant who averred that he had personal knowledge of the facts and defendant filed no counter-affidavit, the facts would be accepted by the court as true in determining a motion for summary judgment. Cole v. Ross Coal Co., D.C.W.Va, 1957, 150 F.Supp. 808

Please note that defendants Tracor and AEL never filed any affidavits to begin with, resting exclusively on THEIR interpretation of plaintiff Dr. Schroeder's word OFFER, and when Dr. Schroeder declared the proper interpretation, the defendants DID NOT FILE ANY COUNTER-AFFIDAVIT WHEREIN THEY AVERRED THAT THEY HAD PERSONAL KNOWLEDGE OF DR. SCHROEDER SAYING, E.G., "I will let you USE my designs in a WORKING countermeasure system , anytime, anywhere and with any customer". This would have been required under Cole v. Ross.

The Fifth Circuit has illuminated the importance of INTENT in Alabama Great So.R.Co. v. Louisville & Nashville R.Co. (C.A.5th, 1955) 224 F.2d 1,5 and said:

In many recent cases, where motive, intent, subjective feelings and reactions, consciousness and conscience were to be searched, and examination and cross-examination were necessary instruments in obtaining the truth, we have pointed out that ...the issues may not be disposed of on summary judgment.

The Fifth Circuit also stressed the importance of movant's "evidence" (in our case: the total reliance on misinterpretation of plaintiff Dr. Schroeder's word "OFFER" to support acquiescence):

Where by the nature of things, the moving papers themselves demonstrate that there is inherent in the problem a factual controversy then, while it is certainly the part of prudence for the advocate to file one, a categorical counter-affidavit

is not essential. Inglett & Co. v. Everglades Fertilizer Co., (C.A. 5th, 1958) 255 F.2d 342,348

The Fifth Circuit also held that:

When it was apparent that there were genuine issues of fact, the failure of plaintiff's counsel to appear in opposition to the motion for summary judgment did not justify the court in granting the motion. Other ...remedies were available...to foster the orderly administration of its affairs. St. John v. New Amsterdam Ca.Co. C.A. 5th, 1966. 357 F.2d 327.

The Fifth Circuit further ruled that:

Even in cases in which the party against whom summary judgment is I sought fails to make a proper response showing that there is a genuine issue for trial, it is inappropriate to grant summary judgment on those issues whose decision depends on the resolution of evident factual disputes not put beyond dispute by the movant's affidavit, especially if a limited evidentiary hearing did not afford the party an opportunity to adduce his full case. White v. Thomas C.A. 5th, 1981, 660 F.2d 680. PLEASE NOTE AGAIN THAT IN OUR CASE THERE WERE NO HEARINGS, PERIOD!!

Finally, the Fifth Circuit also held in Brunswick Corp. v. Vineberg C.A. 5th, 1967, 370 F.2d 605: "...adversary need not justify opposition to summary judgment when movant's evidence does not make it quite clear what the truth was."

The Sixth Circuit ruled on movant's papers:

Until the deficiencies of defendants' affidavits supporting their summary judgment motion were remedied, plaintiff was not required by the applicable rule to supplement his pleadings with "significant probative evidence" that his allegations were true. McDonnell v. Michigan Chapter # 10, Am. Institute of Real Estate Appraisers

of the Nat. Ass'n of Realtors. C.A. 6th, 1978 587 F.2d 7

Note that Defendants in our case did not have affidavits supporting their claim of Dr. Schroeder's acquiescence through his word "OFFER", and thus never met their burden of proof as required in FRCP Rule 56. (App. H)

The Seventh Circuit confirms the above Sixth Circuit ruling and held that Under Rule 56 "the party opposing summary judgment does not have the burden of showing that there is a genuine issue for trial until the movant has produced evidentiary material showing that there is no genuine issue as to any material fact and he is entitled to judgment as a matter of law." 2361 State Corp. v. Sealy, Inc., C.A. 7th, 1968 402 F.2d 370, 375

The Eighth Circuit held that:

A summary judgment should be granted with caution, and a plaintiff should be accorded any and all favorable inferences. McSpadden v. Mullins, C.A. 8th, 1972, 456 F.2d 428, 430.

The Ninth Circuit has ruled that:

If the nonmoving party in a summary judgment proceeding has raised a genuine issue of material fact and the evidentiary matter in support of the motion does not establish the absence of a genuine issue, summary judgment must be denied even if no opposing evidentiary matter is presented. Dalke v. Upjohn Co., C.A. 9th, 1977,555 F.2d 245.

Considering the preponderance of Appeals Court decisions that the Federal Circuit is in conflict with, a question as to the ultimate motivation for the merit panel (and, indeed , the complete Court) is in order. Other than the belief that a member of the Bar and duely admitted attorney would not dare shade the truth, the citation of Anderson v. Liberty Lobby by both the District Court and the Merit Panel comes to mind. This U.S. Supreme Court decision was dissented against by Chief Justice Rehnquist. In his

dissent he correctly warned that:

"The Court's decision to engraft the standard of proof applicable to a factfinder onto the law governing the procedural motion for a summary judgment (a motion that has always been regarded as raising a question of law rather than a question of fact see, e.g. La Riviere v. EEOC, 682 F.2d 1275,1277 (C.A. 9th 1982) (Wallace, J.)) will do great mischief with little corresponding benefit. The primary effect of the Court's opinion today will likely be to cause the decisions of trial judges on summary judgment motions in libel cases to be (477 US 273) more erratic and inconsistent than before. This is largely because the Court has created a standard that is different from the standard traditionally applied in summary judgment motions without even hinting as to how its new standard will be applied to particular cases."

Unfortunately, the clairvoyant dissent of the Chief Justice did not go far enough in its prediction: In this / our case the district judge took the liberty of usurping ALL jury functions, not just with respect to a heightened evidentiary standard. This has resulted in petitioner's constitutional rights being violated. This is particularly grievous since plaintiff/appellant/petitioner is appearing PRO SE. As found in Roseboro v. Garrison, (C.A. 4th ,1975) 528 F.2d 309, 21 FR Serv. 822, "Pro Se plaintiff in civil rights action is entitled to fair notice of requirements, and before District Court enters summary judgment against him for failure to file any counteraffidavits, it should advise of his rights to do so and alert him to fact that failure to do so might result in ...summary judgment against him."

No such warning was ever issued, and any attempt by Dr. Schroeder to rectify technical deficiencies was ruthlessly suppressed. There is only one remedy to avoid recurrence of such a travesty: OVERTURN ANDERSON V. LIBERTY LOBBY IN ITS ENTIRETY, OR AT LEAST REDEFINE IT SO AS TO CLARIFY ITS LIMITATION TO LIBEL ACTIONS-AND BOUND ITS EXTENT.

The petitioner is looking forward to being given an

opportunity to explain his experience with Anderson and to rectify the grave injustice perpetrated upon him. While certiorari is the standard vehicle for accomplishing this, petitioner, in the alternative, would be pleased to accept summary reversal.

CONCLUSION

The U.S. Constitution guarantees that inventors should benefit from their scientific discoveries, for a limited time, in return for paying application and maintenance fees. (Article One, Section Eight). The collection of royalties by petitioner on his patents was denied by the Federal Circuit on the basis of an alleged shop right[1] due the infringers. Since shop right is a common law doctrine, and since the Seventh Amendment to the U.S. Constitution guarantees Trial by Jury in any common law action exceeding $ 20.00 in value, the decision of the Federal Circuit denied that constitutional right. The denial was based, at least in part, on the vigorous application of Anderson v. Liberty Lobby. Also denied was due process as guaranteed by the Fifth Amendment, by ignoring local rule violations of the opposing attorney. Various other rule violations by the district court were also sanctioned by the Federal Circuit.

Because of these and other rights violations, the decision of the Federal Circuit must be reversed. The petition for writ of certiorari should be granted. In the alternative, summary reversal should be granted.

Respectfully submitted,

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Riverside, CA 92503
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- PRO SE -

[1]As the court has ruled in Crom, shop right cannot come into existence unless the inventor was an employee of the one claiming the right at the time the invention was made. (Appendix L)

APPENDIX

APPENDIX A

NOTE: Pursuant to Fed. Cir., R. 47.6, this disposition is not citable as precedent. It is a public record. The disposition will appear in tables published periodically.

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

99.1281

DR. KLAUS G. SCHROEDER,

Plaintiff-Appellant,

v.

TRACOR, INC., and AEL INDUSTRIES, INC.,

Defendants-Appellees.

DECIDED: November 5, 1999

Before NEWMAN, Circuit Judge, ARCHER, Senior Circuit Judge, and CLEVENGER, Circuit Judge.

CLEVENGER, Circuit Judge.

Dr. Klaus G. Schroeder (Schroeder) appeals from the grant of summary judgment in favor of Tracor, Inc. (Tracor) and AEL Industries, Inc. (AEL) on the grounds that AEL enjoyed a shop right in Schroeder's patented inventions. Schroeder v. AEL, No. 96.0142 (D.C. Cal., July 24, 1998). We affirm the district court's ruling.

I

Schroeder is the owner of U.S. Patent Nos. 4,750,000 (the '000 patent) and 4,958,167 (the '167 patent), directed to "ultra-broadband impedance matched electronically small self-complementary pair

antennas." Schroeder asserts that these patents were infringed by AEL in its production of the "Piranha II" jam-on-the-move mobile electronic countermeasure system and the "TACJAM-A" mobile communication countermeasure system. Tracor and AEL do not deny that these systems incorporate designs protected under the '000 and '167 patents; however, they claim a shop right in these designs based on Schroeder's employment relationship with AEL.

Schroeder was employed by AEL between 1983 and 1988 in AEL's Antenna Division, located in Lansdale, Pennsylvania. AEL was acquired by Tracor in 1996.[1] On May 2, 1983, Schroeder signed an employment agreement with AEL in which he agreed to "assign, transfer and set over . . . all my right, title and interest in and to any and all Inventions and Improvements." The Inventions and Improvements clause covered all inventions conceived by Schroeder, whether or not in the scope of his employment with AEL, except those inventions specifically identified and exempted by the agreement. Schroeder represented in the agreement that, prior to employment with AEL, he had conceived "10 non-patented inventions to be supplied later." Subsequently, he submitted a memorandum briefly describing nine "pre-employment proprietary techniques," including complementary pair antennas for low-profile, wide-band applications.

During the course of his employment, Schroeder offered his complementary pair antenna design to AEL as an improvement to its Piranha countermeasures product line. The parties dispute whether Schroeder demanded royalties at that time.

Schroeder applied for the '000 and '167 patents on September 16, 1987, and June 7, 1988, respectively, while employed by AEL. The '000 patent issued on June 7, 1988, while Schroeder was still employed by AEL. The '167 patent issued on September 18, 1990,

[1]A dispute exists as to whether Tracor is a parent of AEL or whether the two corporations have merged. We need not reach the issue of corporate identity to decide this case, however, and we therefore refrain from doing so.

after his termination. Schroeder did not inform AEL that he had applied for any patents on his complementary pair antenna design until after the '000 patent issued in 1988. Upon learning that Schroeder had independently filed two patent applications in violation of his employment agreement, AEL discharged Schroeder in September 1988.

Schroeder filed suit against Tracor and AEL in January 1997 alleging infringement of the '000 and '167 patents. AEL and Tracor moved for summary judgment based on the existence of a shop right. The district court found that Schroeder failed to raise a genuine issue of material fact sufficient to rebut AEL'S shop right defense and, therefore, granted the motion for summary judgment. Schroeder appeals that decision. AEL and Tracor move for sanctions under Fed. R. App. P. 38. We have jurisdiction over this appeal pursuant to 28 U.S.C. § 1295(a)(1) (1994).

II

Summary judgment is appropriate only when there is no genuine issue of material fact and the moving party is entitled to judgment as a matter of law. See Fed. R. Civ. P. 56(c) (1999). We review a grant of summary judgment de novo. See Spectrum Int'l., Inc. v. Sterilite Corp., 164 F.3d 1372, 1378, 49 USPQ2d 1065, 1068 (Fed. Cir. 1998). In doing so, we must draw all reasonable factual inferences in favor of the nonmovant See Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 255 (1986).

The "shop right" rule is an equitable doctrine controlled by state law. We follow California's choice of law rules in this case. See Klaxon Co. v. Stentor Electric Mfg. Co. Inc., 313 U.S. 487, 495 (1941); A.I. Trade Finance, Inc. v. Petra Int'l Banking Corp., 62F.3d 1454, 1464-65 (D.C. Cir. 1995) (applying Klaxon to federal question jurisdiction). California applies a "relative interest" test for determining choice of law. See Bernhard v. Harra's Club, 16 Cal.3d 313, 316 (1976) (requiring "an analysis of the respective interests

of the states involved"). Because Schroeder's employment with AEL took place in Pennsylvania and was governed by a Pennsylvania contract, we follow Pennsylvania law on the issue of shop rights.

The Pennsylvania courts, and the federal courts sitting in Pennsylvania, have long applied the Supreme Court's rules on employers' and employees' rights to inventions. See e.g. Aetna-Standard Engineering Co. v. Rowland., 343 Pa. Super. 64, 71 (1985). Thus, we may follow United States v. Dublier Condenser Corp., 289 U.S. 178 (1933), and its progeny, in deciding this case. We may also apply our own case law on shop rights, to the extent that it interprets the Supreme Court's guidance on the issue.

In McElmurry v. Arkansas Power & Light Co., 995 F.2d 1576, 1582 (Fed. Cir. 1993), we stated that "the proper methodology for determining whether an employer has acquired a shop right in a patented invention is to look to the totality of the circumstances [to] determine whether the facts of a particular case demand, under principles of equity and fairness, a finding that a shop right exists." McElmurry did not endorse any particular theory of shop rights, but called for a "factually driven analysis" to ensure that "the principles of equity and fairness underlying the shop rights rule are considered." Id.

Among the factors considered relevant in McElmurry was that the inventor consented to his employers use of the invention. See id. at 1583. Thus, an employer may establish a shop right defense based solely on equitable estoppel, provided that the facts of the case warrant recognition of the defense under the "principles of equity and fairness" explained in McElmurry. We hold that AEL has properly established such a defense. The only question that remains is whether Schroeder has come forth with sufficient facts to support a finding that AEL is not entitled to a shop right defense as a matter of law. We hold that Schroeder has failed to do so.

We agree with the district court that Schroeder has offered no

admissible evidence to show that he did not consent to his employer's use of his invention. Although Schroeder asserts that he repeatedly demanded royalties from AEL for the use of his complementary pair antenna design, this assertion directly conflicts with statements he made in his Opposition to AEL'S Motion to Dismiss. In the Opposition, Schroeder indicated that, as of April 1985, he specifically avoided demanding royalties from AEL for fear that he might be fired. See Notice of Opp'n at 6 (96-0142 RT) ("Had [I] specifically demanded royalties at that meeting or anytime thereafter for that matter, [I] would undoubtedly have been terminated right there and then."). Indeed, when Schroeder finally did reveal to AEL that he owned a patent on the complementary pair antenna design and expected royalties therefor, he was immediately terminated for breach of contract.

Based on the record before us, including statements made by Schroeder himself, it is clear that Schroeder allowed AEL to use his invention for several years without objecting or demanding royalties. Only in 1988, shortly after the '000 patent issued, did Schroeder demand royalties from AEL for the first time. For these reasons, we hold that AEL is entitled to a shop right defense covering the use of Schroeder's complementary pair antenna designs and that such use does not constitute infringement of the '000 and '167 patents.

On appeal, Schroeder does not dispute that Tracor is entitled to the benefit of AEL'S shop right defense. However, in order to avoid any ambiguity as to the effect of our decision on Tracor's rights, we will briefly discuss the issue here. We note that in the proceedings below there was a dispute as to the nature of the corporate relationship between AEL and Tracor. However, for the purpose of this case, it does not matter whether Tracor and AEL have merged, as Schroeder suggested below, or whether they exist separately as parent and subsidiary. In either situation, AEL's enjoyment of a shop right (i.e., the noninfringing use of a patented invention) cannot make Tracor liable for patent infringement. If the companies are

separate, then Tracor, as the parent corporation, cannot be held liable where AEL, itself, has not committed any acts of infringement. If Tracor and AEL have merged, then Tracor, as successor in interest to AEL's entire business, is entitled to assert AEL's shop right defense.

On June 2, 1999, AEL and Tracor moved for sanctions under Fed. R. App. P. 38 on the basis that Schroeder's appeal is frivolous. Schroeder opposed the motion for sanctions. In an order dated June 29, 1999, this court deferred the motion for consideration by the merits panel. The motion is hereby denied.

CONCLUSION

Because Schroeder has failed to establish a genuine issue of material fact in challenging AEL'S shop right defense, we must affirm the district court's decision granting summary judgment of noninfringement as a matter of law.

APPENDIX B

UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

DR. KLAUS G-SCHROEDER, Plaintiff, v. AEL INDUSTRIES, INC., and TRACOR. INC. Defendants.	ED CV 96-0142 RT (VAPx) ORDER GRANTING 1) DEFENDANT AEL'S MOTION FOR SUMMARY JUDGEMENT AND 2) DEFENDANT TRACOR'S MOTION FOR SUMMARY JUDGMENT.

Defendants' motions for summary judgment ,were submitted for decision. The court, the Honorable Robert J. Timlin, has read and considered the moving, opposing and reply papers, as well as any admissible evidence.[1] Based on such consideration, the court concludes as follows:

I.
Background

Plaintiff Dr. Klaus G. Schroeder ("Schroeder") filed a second amended complaint ("SAC") alleging that defendants AEL Industries. Inc. ("AEL") and Tracor, Inc. ("Tracor") infringed two of his patent designs by incorporating them into their products and not paying Schroeder royalties. AEL and Tracor filed separate

[1]Plaintiff's "Declaration of Articulations of Expectations of Monetary or Other Compensation of Plaintiff Dr. Schroeder when working at AEL, in Response to Defendant AEL'S Motion for Summary Judgment" does not comply with the requirements for a valid declaration. In order for a declaration executed within the United States to be valid it must be subscribed by the declarant as true under penalty of perjury and dated. 28 U.S.C. § 1746. Consequently, it does not constitute admissible evidence which the court may consider. The court will not consider it in determining AEL and Tracor's motions.

motions for summary, judgment pursuant to Federal Rule of Civil Procedure 56(c).

II.
Evidentiary Objections

A. Plaintiff's Evidentiary Objections

Plaintiff objects to AEL's reliance on the contents of Exhibit .A to the first amended complaint (FAC) although he gives no cognizable evidentiary ground for his objection other than that reference to the Exhibit is not appropriate. Exhibit .A is described in the FAC as an "historical chain of events leading lo the invention of Plaintiff's antennas, and the ultimate infringement by AEL. . . ." (FAC, f)¶ 1.) Admissions in an opposing parties' pleadings, even if unverified, are admissible evidence. Federal Rule of Evidence 801(d)(2), and therefore can serve as the basis for a motion for summary judgment. See, e.g., Lockwood v. Wolf Corp., 629 F.2d 603, 611 (9th Cir 1980). Therefore, Plaintiff's objection to Exhibit A to the FAC is OVERRULED.

B. Tracer's Evidentiary Objections and Motion to Strike

Tracor objects to the following exhibits attached to Schroeder's opposition and moves to strike them. Following are the court's rulings.

1.	Exhibit B.	Sustained - lack of foundation
2.	Exhibit D.	Sustained - inadmissible hearsay
3.	Exhibit I.	Sustained - inadmissible hearsay,

III.
Uncontroverted Material Facts

A. AEL'S Motion for Summary Judgment

Appendix B

The following are uncontroverted facts, taken from AEL's "Statement of Uncontroverted Facts and Conclusions of Law" lodged by AEL with its motion and are supported by admissible evidence.

Between 1983 and 1988, plaintiff, was employed by AEL in AEL's Antenna Division.

On May 2, 1983, plaintiff signed an employment agreement with AEL in which he agreed to assign all "Inventions and Improvements" to AEL. The employment Agreement is silent on the issue of "shop rights."

Plaintiffs employment with AEL was terminated in September 1988.

Plaintiff filed for U.S. Patent No. 4,750,000 (directed to "ultra-broadband impedance matched electronically small self-complementary pair antennas") on September 16, 1987. That patent issued on June 7, 1988, while plaintiff was employed by AEL.

Plaintiff filed for U.S, Patent No. 4,958,167 (also directed to "ultra-broadband impedance matched electronically small self-complementary pair antennas) on June 7, 1988, while employed by AEL. U.S. Patent No. 4,958,167 issued on September 18, 1990, after plaintiff's employment by AEL had been terminated.

During the course of plaintiffs employment, when AEL needed a "breakthrough" in the mobile HF/VHF antenna area, plaintiff "offered" his complementary pair antenna design as a solution.

In late 1988, plaintiff "revealed" to AEL management that he had filed for and obtained patent protection on the complementary pair antenna design.

Plaintiff never expressly requested royalties or any other special compensation with respect to AEL's alleged use of the subject matter

of U.S. Patents Nos. 4,750,000 and 4,958,167 ("Subject Patents") until after he had "revealed" to AEL management that U.S. Patent No. 4,750,001 had issued and just before his employment with AEL was terminated in September 1988, i.e. until he had been working for AEL for over five years.

B. Tracor's Motion for Summary Judgment

The court finds as uncontroverted facts all those facts F1 through F24 as stated in Tracor's Statement of Uncontroverted Facts and Conclusions of Law lodged by Tracor with its motion. It further finds that those facts are supported by admissible evidence.

IV.
Analysis

A. Standard for Motion

Under Rule 56(c) of the Federal Rules of Civil Procedure, a district court may grant summary judgment where "the pleadings, depositions, answers to interrogatories, and admissions on file, together with affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(c).

The Supreme Court and the Ninth Circuit have established the following standards for consideration of such motions: "If the party moving for summary judgment meets its initial burden of identifying for the court those portions of the materials on file that it believes demonstrates the absence of any genuine issue of material fact," the burden of production then shifts so that "the nonmoving party must set forth, by affidavit or as otherwise provided in Rule 56, 'specific facts showing that there is a genuine issue for trial.'" T.W. Elec. Serv., Inc. v. Pacific elec. Contractors Ass'n. 809 F.2d 626, 630 (9th Cir. 1987) (quoting Fed. R. Civ. P. 56(e) (emphasis added) and citing Kaiser Cement Corp. v. Fischbach & Moore, Inc., 793

F.2d 1100, 1103-04 (9th Cir.), cert denied, 107 S.Ct. 435 (1986) and Celotex Corp. v. Catreet, 106 S. Ct. 2548, 2553 (1986)). With respect to these specific facts offered by the non-moving party, the court does not make credibility determinations or weigh conflicting evidence, and is required to draw all inferences in a light most favorable to the non-moving-party. T.W. Elec. Serv., 809 F.2d at 630-31 (citing Matsushita Elec. Indus. Co. v. Zenith Radio Corp., 106 S.Ct. 1348, 1356 (1986)).

Rule 56(c) nevertheless requires this Court to enter summary, judgment, "after adequate time for discovery, and upon motion, against a party, who fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial." Celotex, 106 S. Ct. at 2552. The mere existence of a scintilla of evidence in support of the non-moving party's position is insufficient: "[T]here must be evidence on which the jury could reasonably find for the [non-moving party]." Anderson v. Liberty Lobby, Inc., 106 S. Ct. 2505, 2512 (1986). In order to defeat a motion for summary judgment, the plaintiff must present significant probative evidence tending to support the complaint. T.W. Elec. Serv., 809 F.2d at 630. This court thus applies to either party's motion for summary judgment the same standard as for a motion for directed verdict: "[W]hether the evidence presents a sufficient disagreement to require submission to a jury or whether it is so one-sided that one party must prevail as a matter of law." Id.

B AEL'S Motion for Summary Judgment

AEL contends that it is entitled to assert the shop right defense and uncontroverted evidence shows its applicability to the subject patents. A shop right is a right created at common law under principles of equity and fairness, which entitles an employer to use without charge an invention patented by one or more of its employees without liability for infringement. McElmurry v. Arkansas Power & Light Co., 995 F.2d 1576, 1580 (Fed. Cir. 1993). A defendant's

shop right to a patented invention is a complete defense to a claim for patent infringement, Wommack v. Durham Pecan Company, Inc., 715 F.2d 963, 964 (5th Cir. 1983); Papazian v. American Steel & Wire Co. of New Jersey, 155 F.Supp. 111, 119 (N.D. Ohio 1957), because it entitles an employer to use, without charge and without liability for infringement, an invention patented by one of its employees. McElmurry v. Arkansas Power & Light Co., 995 F.2d 1576, 1580 and 1580 n. 8 (Fed. Cir. 1993).[2]

A shop right defense can arise in three basic ways: as an implied license, as an estoppel compelled by equitable considerations, McElmurry, 995 F.2d at 1581-1582, and as a combination of the implied license and equitable estoppel methods. Id. at 1581, 1581 n. 11. AEL has based its motion for summary judgment on the theory of equitable estoppel. AEL contends that the factual statements in the FAC show that plaintiff while employed by AEL acquiesced in AEL'S using the perfected antenna in the systems AEL was developing and contractually obligating itself to provide. The equitable estoppel basis for a shop right defense exists, because such a right may arise when the employee's actions, e.g., consent to or acquiescence in the employer's use of the invention, and/or by, assisting the employer to make use of the invention without demanding compensation for such use or giving notice of restriction as to its use and because it would make it inequitable to allow the employee later to assert his or her patent rights against the employer. McElmurry, 995 F.2d at 1581-1582.

This court has previously found that the allegations in the FAC

[2]Pennsylvania law applies to the employment agreement between plaintiff and AEL and the issue of shop rights. However, although shop rights are creatures of common law, states generally analyze them according to the principles set forth in several leading U.S. Supreme Court cases and followed thereafter by other federal courts. McElmurry v. Arkansas Power & Light Co., 995 F.2d 1576, 1580 and 1580 n.

established the existence of a shop-right defense by AEL under the equitable estoppel theory.[3]

Plaintiff's FAC alleged:

(1) before plaintiff began work at AEL, he had already come up with the idea of complementary pairs of antennae, and that he pursued various applications of such proprietary, complementary pair technology in connection with other antenna projects (Exhibit A to FAC);

(2) when plaintiff signed any patent agreements with his employers, including AEL, he disclosed brief descriptions of his "intellectual property consisting of a wealth of proprietary antenna designs" (Exhibit A to FAC);

(3) between 1983 and 1988, plaintiff worked for AEL as Chief Scientist and then as Research and Development Department Head in the Antenna Division (Exhibit A to FAC);

(4) when AEL needed a "breakthrough" in the mobile HF/VHF antenna area for an upgrade of the Piranha countermeasures product line, plaintiff offered his complementary pair of antennae as a solution. "always pointing out the proprietary nature of this design, and calling it the 'SCHROEDER Antenna'" (Exhibit A to FAC);

(5) when AEL began a joint venture with Lockheed-Sanders to develop the TACJAM-A using plaintiff's proprietary antenna designs, thus exposing his antenna designs to "other Joint Venture companies," plaintiff decided to obtain patent protection, in the form of U.S. Patent No. 4,750,000, "because of the uncertainties in the industry, and because some other companies might steal his ideas" (Exhibit A to FAC);

[3]The court incorporates into this order the analysis and holding of its Order granting AEL'S motion to dismiss the FAC with leave to amend dated December 27, 1996 ("Order").

(6) plaintiff filed for U.S. Patent No. 4,750,000 on September 16, 1987, and it was issued on June 7, 1988, while he was employed by AEL (Exhibits A and B to FAC);

(7) plaintiff's employment with AEL was terminated on September 6, 1988 (Exhibit .A to FAC);

(8) plaintiff applied for U.S. Patent No. 4,958,167 on June 7, 1988, while he was still employed by AEL. U.S. Patent No. 4, 958,167 was issued on September 18, 1990, after his termination by AEL. (Exhibit B to FAC).

Reading the FAC and its exhibits in the light most favorable to plaintiff, it can be inferred that U.S. Patent No. 4,958,167 covers material "without which no working complementary pair can be constructed" (Exhibit A to FAC at 8:25-27);

(9) in 1990, AEL used a design protected under plaintiffs U.S. Patent Nos. 4,750,000 and 4,958,167 in its production of a "Jam-on-the-Move" mobile electronic countermeasure system (Piranha II) and in the TACJAM-A mobile communication countermeasure system (TACJAM-A) (FAC, ¶ 5);

(10) in 1991 and in subsequent years, AEL entered into production contracts for TACJAM-A, which, as noted above, makes use of plaintiffs U.S. Patent Nos. 4,750,000 and 4,958,167.

Schroeder was granted leave to amend his FAC in order to give him the opportunity to allege facts which "might state facts showing that the equitable estoppel basis for a shop right defense does not exist..." Order dated December 27, 1996 at 5. In response, Schroeder filed a SAC which contained three additional factual allegations not found in the FAC. Therefore, in order to avoid summary judgment, Schroeder's additional allegations must be uncontroverted and supported by admissible evidence sufficient to avoid the shop right defense.

Appendix B

The court initially notes that the three additional factual allegations contained in the SAC directly contradict the allegations contained in the FAC. The three new allegations are: (1) Schroeder's pre-employment inventions "were exempted regarding all rights (including shop right) by employment contract," (2) Schroeder "never acquiesced to this unauthorized use" of his inventions, and (3) that Schroeder "has demanded payment, in one way or another, both during and after employment at AEL."

First, the court concludes after reviewing the employment agreement between AEL and Schroeder that it is silent as to the issue of a shop right defense and the Exhibits cited by Schroeder in support of this allegation in the SAC do not support his contention that the employment contract reflected a waiver of such defense by AEL. Therefore, the employment contract itself does not preclude the use of the shop right defense.

Second, Schroeder's SAC also alleges that "plaintiff has demanded payment, in one way or another, both during and after his employment at AEL." Schroeder's opposition contends that Schroeder, at the time he offered the use of his inventions to AEL, both requested and expected royalties or some form of compensation for the use of his inventions by AEL. This allegation, if true, would defeat the shop rights defense asserted by AEL.

Schroeder's only evidence in support of this allegation is his "Declaration of Articulations of Expectation of Monetary or other Compensation of Plaintiff Dr. Schroeder when working at AEL In response to Defendant AEL's Motion for Summary Judgment" in which he asserts that he orally "stressed his expectations of royalties" and "articulated his expectations of financial compensation" to certain individuals at AEL for the use of his inventions during the periods when his inventions were being used and incorporated into AEL products. The court is not considering this declaration for the reasons stated in Footnote 1. If however, it did consider the declaration as admissible evidence, it notes that these assertions,

articulated for the first time in opposition to the motion for summary judgment, are not supported by any admissible evidence and are contradictory to statements previously made by Schroeder in his FAC and reasonable inferences from such statements.

Schroeder has attached as Exhibit 1 to his declaration a memorandum written by him, dated April 22, 1985, which he alleges supports this contention. However, review of this document indicates that it does not contain any request or demand for royalties but expresses his concern that adequate security measures are not being taken to prevent dissemination of information regarding the antenna technology outside of AEL. The memorandum states in part:

> "When I joined AEL, I declared certain antenna concepts and configurations proprietary to K.G. Schroeder. I fully realized the great potential of some of these techniques, which I conceived in prior years, and continue to be happy to have AEL possibly benefit from the existence of a technological edge."

This statement is consistent with the allegation in the FAC that Schroeder "offered" this technology, to AEL.

In addition, Schroeder's statements contained in his opposition to the motion to dismiss the FAC also contradict his present statement that he requested royalties from AEL during his employment. Schroeder's opposition states that the morning after the distribution of the April 22, 1985 memorandum, he attended a meeting with the personnel director of AEL. "Had the plaintiff specifically demanded royalties at that meeting, or anytime thereafter for that matter, he would undoubtedly have been terminated right then and there." The court concludes that Schroeder's new unsupported allegations which directly contradict statements previously presented to the court are insufficient to raise a triable issue of material fact regarding whether Schroeder ever demanded compensation from AEL for the use of his inventions. Therefore,

this new factual assertion is insufficient to defeat AEL'S shop right defense.

Third, Schroeder urges that he never authorized the use of his inventions in AEL products. However, this statement is directly contradicted both by the allegations in the FAC and by Schroeder's argument that while he offered his inventions to AEL, he always expected financial remuneration for the use of his inventions. There is absolutely no admissable evidence that Schroeder did not authorize the use of his inventions except his self-serving unsupported statement and in fact the allegation in the FAC that he did indeed "offer" these inventions to AEL belies this assertion. A party opposing summary judgment cannot create a genuine issue of fact by contradicting his own prior statements. Jurado v. Eleven-Fifty Corp., 813 F.2d 1406 (9th Cir. 1987). Therefore, the court finds that this proposition does not defeat AEL's use of the shop right defense.

On the basis of the foregoing, the court concludes as a matter of law that AEL is entitled to assert the shop right defense to each of the subject patents and AEL's use of the ideas underlying the subject patents does not constitute an infringement on either patent. AEL'S motion for summary judgment will be granted.

C. Tracor's motion for summary judgment

Tracor filed a motion to dismiss which was converted to a motion for summary judgment contending that: (1) it could not be held liable for the alleged acts of AEL solely because of its status as the parent corporation of AEL and (2) even if there was liability by reason of AEL being "merged" with Tracor, it also would have the affirmative defense of shop rights by virtue of AEL's shop rights in the subject patents.

1. Tracor is not liable for any patent infringements by AEL as alleged in the SAC.

Tracor contends that it is not liable for the alleged acts of AEL merely because of its status as the parent corporation of AEL. In order to hold a parent corporation liable for the acts of its subsidiary, the parent corporation must exert such control over the affairs of its subsidiary as to render the subsidiary a mere instrumentality of the parent. Calvert v. Huckins, 875 F. Supp. 674, 679 (E.D. Cal. 1995); Jiffy Lube Intern v. Jiffy Lube of Pennsylvania, 848 F. Supp. 569, 580 (E.D. Pa. 1994). In addition, the party seeking to disregard the corporate form in order to hold a parent corporation liable for the acts of its subsidiary bears the burden of proving substantial reasons for the court to do so. Mobil Oil Corp. v. Linear Films. Inc., 718 F. Supp. 260, 270 (D. Del. 1989). The uncontroverted facts as noted above, namely Exhibits F1 though F24 to Tracor's Statement of Uncontroverted Facts show that Tracor did not exercise control over AEL's use or non-use of the subject patents. Further, Schroeder has not produced any admissable evidence in support of his assertion that AEL and Tracor merged into one corporate entity. The court therefore concludes as a matter of law that Tracor is the parent of AEL, a wholly owned subsidiary, and is not liable for the alleged infringement of the subject patents by AEL. Therefore, the motion for summary judgement will be granted on that basis.

2. Tracor is entitled to assert the shop right defense.

Assuming that Tracor as a matter of law could be liable for AEL's alleged tortious conduct infringing Schroeder's subject patents based on the purported "merger" of AEL with Tracor, Tracor as successor in interest to AEL is entitled to assert the shop right affirmative defense. A shop right affirmative defense passes to Tracor upon merger and continuation of AEL's entire business. See California Eastern Laboratories v. Gould, 896 F.2d 400, 401-2 (9th Cir 1990). Therefore, taking Schroeder's characterization of the corporate entities of Tracor and AEL as true following the "merger," (none of which is supported by any admissible evidence), Tracor would succeed to AEL's shop right defense. As this court has previously concluded AEL is entitled to assert the shop right defense to all of

Schroeder's claims. Consequently, Tracor is also entitled to that defense and this court's analysis and application of that defense to the uncontroverted facts as to AEL's motion applies equally to Tracor.

Based on the court's earlier determination that as a matter of law the shop right defense applies to each of the subject patents and AEL's use of the ideas underlying the subject patents did not constitute an infringement on either of Schroeder's subject patents, the court makes the same determination as to Tracor's motion. Therefore, Tracor's motion for summary judgment will be granted.

IV.
Disposition

IT IS ORDERED THAT:

1) Defendant AEL's motion for summary judgment is granted.
2) Defendant Tracor's motion for summary judgment is granted.
3) Defendants AEL and Tracor shall submit final judgments consistent with this order.

JULY 24, 1998 — (SIGNATURE)

DATE — ROBERT J. TIMLIN,
DISTRICT COURT JUDGE

APPENDIX C

United States Court of Appeals for the Federal Circuit

O R D E R

A combined petition for rehearing and suggestion for rehearing en banc having been filed by the APPELLANT, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the suggestion for rehearing en banc having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the suggestion for rehearing en banc be, and the same hereby is, DECLINED.

The mandate of the court will issue on January 20, 2000.

FOR THE COURT,

Jan Horbaly
Clerk

Dated: January 13, 2000

cc: Klaus G. Schroeder
Gregory J. Lavorgna

SCHROEDER V TRACTOR INC., 99-1281
(DCT - 96-CV-142)

Note: Pursuant to Fed. Cir. R. 47.6, this order is not citable as precedent. It is a public record.

APPENDIX D

United States Court of Appeals for the Federal Circuit

99-1281

DR. KLAUS G. SCHROEDER,
Plaintiff-Appellant,
v.
TRACOR, INC. and AEL INDUSTRIES, INC.,
Defendants-Appellees.

O R D E R

UPON CONSIDERATION of the appellant's motion for sanctions, damages, and costs, and the appellees' cross-motion for damages and costs, it is

ORDERED that the appellant's motion is DENIED and the appellees' cross-motion is DENIED.

January 11, 2000

FOR THE COURT,

_____
JAN HORBALY, CLERK

c: Klaus G. Schroeder
Gregory J. Lavorgna, Esq.

Note: Pursuant to Fed. Cir. R. 47.6, this order is not citable as precedent. It is a public order.

APPENDIX E

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No. ED CV 96-0142-RT (VAPx) Date: October 30, 1998

Title: Dr. Klaus G. Schroeder v. AEL Industries, Inc. and Tracor, Inc.

PRESENT:

THE HONORABLE ROBERT J. TIMLIN, JUDGE

Lenora Pulliam	None
Courtroom Clerk	Court Reporter

ATTORNEYS PRESENT FOR PLAINTIFF:	ATTORNEYS FOR DEFENDANTS:
None.	None.

PROCEEDINGS: ORDER 1) DENYING PLAINTIFF'S MOTION FOR RECONSIDERATION OF ORDER GRANTING SUMMARY JUDGMENT TO DEFENDANTS AND 2) DENYING DEFENDANTS' REQUEST FOR SANCTIONS.

The Court has read and considered plaintiffs motion for reconsideration of the Court's July 24, 1998 order granting summary judgment to defendants, defendants' opposition, and plaintiff's reply papers. Based on such consideration, the Court concludes as follows:

Appendix E

I.
BACKGROUND

Plaintiff Dr. Klaus G. Schroeder ("Schroeder"), proceeding in propria persona, sued defendants AEL Industries, Inc. ("AEL") and Tracor, Inc. ("Tracor"), alleging that they infringed two of his patent designs by incorporating them into their products and not paying Schroeder royalties. AEL and Tracor (collectively, "Defendants") filed separate motions for summary judgment, and on July 24, 1998, the Court granted these motions. The judgment was entered on August 14, 1998.

On August 12, 1998, Schroeder submitted a document entitled "Re-Submission of 'Declaration of Articulations of Expectations of . . [sic] Compensation' in Opposition to Defendants' Motion for Summary Judgment." Schroeder subtitled the document, "Opposition to Motion, and Plaintiff's Statement of Genuine Issues, filed previously." Defendants submitted no opposition. The Court construed Schroeder's document to be a motion for reconsideration of the Court's order granting Defendants' motions for summary judgment. On August 18, 1998, the Court denied this motion.

On August 24, 1998, Schroeder filed a "Motion for New Trial Based on New Evidence and Manifest Injustice Created by Clear Error of Court, and on Mistake and Excusable Neglect (FRCP 52, 59, 60)." Though labeled a motion for a new trial, the Court notes that, in effect, Schroeder is seeking reconsideration of the Court's order granting summary judgment to Defendants filed on July 24, 1998. The Court will consider it as such. Because there has not been a trial, there cannot be a new trial.

Defendants argue that these issues were litigated when the Court denied Schroeder's motion filed on August 12, 1998. Defendants also argue that because Schroeder's motion raises no new issues, it is vexatious and thus entitles them to sanctions.

Appendix E

II.
ANALYSIS

A. Motion for Reconsideration--Rule 59(e); Local Rule 7.16

Schroeder relies upon Federal Rule of Civil Procedure 59(e) to support his motion for a new trial. He argues that he is entitled to have the judgment set aside under Rule 59(e) because 1) of newly discovered evidence, which he also characterizes as "newly qualified evidence," and 2) the Court committed clear error.[1]

Local Rule 7.16 provides three limited grounds upon which a motion for reconsideration may be made:

> A motion for reconsideration of the decision on any motion may be made duly on the grounds of (a) a material difference in fact or law from that presented to the Court before such decision that in the exercise or reasonable diligence could not have been known to the party moving for reconsideration at the time of such decision, or (b) the emergence of new material facts or a change of law occurring after the time of such decision, or (c) a manifest showing of a failure to consider material facts presented to the Court before such decision. No motion for reconsideration shall in any manner repeat any oral or written argument made in support of or in opposition to the original motion. (Emphasis added).

Schroeder has not set forth any legal or factual bases which come within any of the grounds provided in Local Rule 7.16. Instead, despite Local Rule 7.16's admonition that "no motion for reconsideration shall in any manner repeat any oral or written argument made in support of or in opposition to the original motion,"

[1]Schroeder also asks that the Court under Rule 59(e) reconsider its grant of attorney's fees to Defendant since the award is "manifestly unjust." Because the Court did not grant the Defendants attorney's fees, Schroeder's argument is moot.

his attacks on the Court's factual characterizations and legal conclusions in its order granting Defendants' motions for summary judgment filed on July 24, 1998 are nothing more than a repetition of the propositions and points recited in his opposition to the motion for summary judgment.[2] Accordingly, Schroeder has not met his burden under Local Rule 7.16, and the Court will deny his motion for a "new trial," construed as a motion for reconsideration.

B. Motion To Be Relieved from Final Judgment—Rule 60(b)

Schroeder also relies upon Federal Rule of Civil Procedure 60(b) to support his motion for a "new trial." He argues that his failure to advance certain facts and legal authorities in support of his opposition to Defendants' motions for summary judgment constitutes mistake or excusable neglect and that he is accordingly entitled to relief from the judgment entered against him.[3] Federal

[2]Schroeder has not presented with this motion any facts that the Court did not have before it when it granted Defendants' motions for summary judgment. Instead he argues that the Court should have considered certain facts which were excluded by reason of the Court's sustaining evidentiary objections to the evidence offered in support of such purported facts. Facts that were excluded from the Court's consideration for evidentiary reasons are not matters that the Court "fail[ed] to consider" within the meaning of Local Rule 7.16. In fact, although the Court did not consider Schroeder's "Declaration of Articulation..." because it was not properly signed and dated, the Court explicitly said that, even if it had, the document would not have affected the Court's conclusions. See Order Granting I) Defendant AEL'S Motion for Summary Judgment and 2) Defendant Tracor's Motion for Summary Judgment, filed July 24, 1998, at 8.

[3] In his motion, Schroeder also points out certain spelling errors in the Court's order. However, because these errors do not affect the substance of the Court's order, they do not provide a basis to grant the motion under Rule 60(b). Also, insofar as Schroeder asserts newly discovered evidence or "newly qualified evidence" as a basis for relief under Rule 60(b), Schroeder has not demonstrated how consideration of these materials would have affected the Court's analysis and rulings on the motions for summary judgment. See Jones v. Aero/Chem Corp., 921 F.2d 875, 878 (9th Cir, 1990) (noting that to prevail on a Rule 59(e) or Rule 60(b)(2) motion, "movant must show the evidence (1) existed at the time of trial, (2) could not have been discovered through due diligence, and (3) was of such magnitude that production of it earlier would have been likely to change the disposition of the case) (emphasis added) (internal quotations omitted).

Appendix E

Rule of Civil Procedure 60(b) provides: "On motion and upon such terms as are just, the court may relieve a party . . . from a final judgment, order, or proceeding for the following reasons: (I) mistake, inadvertence, surprise, or excusable neglect..."

The Court interprets Schroeder's motion as setting forth "excusable neglect" as the primary basis for relief.

> [T]he determination [of what is excusable neglect] is at bottom an equitable one, taking account of all relevant circumstances surrounding the party's omission. These include . . . the danger of prejudice to the [adverse party], the length of delay and its potential impact on the judicial proceedings, the reason for the delay, including whether it was within the reasonable control of the movant, and whether the movant acted in good faith.

Pioneer Inv. Serv. Co. v. Brunswick Assoc. Ltd. Partnership, 507 U.S. 380, 395, 113 S. Ct. 1489, 1498 (1993).[4]

Under the Pioneer factors, Schroeder has not made a sufficient showing of excusable neglect to warrant being relieved of the judgment entered against him. The legal precedents that Schroeder failed to set forth in his original opposition to Defendants' motions for summary judgment existed before he filed his opposition and were available to him. As the Court has noted, see supra notes 2 & 3, the only factual matters that Schroeder failed to submit properly and in a timely manner would not have affected the Court's analysis.[5]

[4]Although the Supreme Court interpreted "excusable neglect" in the context of Bankruptcy Rule 9006(b), the Ninth Circuit has held that the same analysis applies to excusable neglect under Fed. R. Civ. P. 60(b)(1). See Briones v. Riviera Hotel & Casino, 116 F.3d 379, 381 (1997).

[5]The factual matters which Schroeder submitted to the Court but which were excluded from its consideration because of successful evidentiary objections are not, in this case, adequate bases for a finding of excusable neglect based on inadmissability of such evidence.

Schroeder had a chance to, and did, raise the issues decided in the Court's order granting summary judgment to Defendants. All of the legal and factual matters presented in his 60(b) motion were available to him when he filed his opposition (I.e., they were within his "reasonable control"). His neglect to present them at that time is not excusable. Accordingly, his motion under Rule 60(b) to be relieved from the judgment in favor of defendants will be denied.

C. Defendants' Request for Sanctions Against Schroeder in the Form of Attorney's Fees

Defendants argue that because Schroeder already argued these matters in the document filed on August 12, 1998, this latest motion is vexatious, entitling them to an award of attorney's fees under Local Rule 27(a) and 28 U.S.C. § 1927, in order that Schroeder be discouraged from filing future motions with the Court. Schroeder argues that the document that he filed on August 12, 1998, was not a motion for reconsideration, that this is his first motion for reconsideration, and that therefore the motion is not vexatious. The Court finds that under Local Rule 27(a) Schroeder's filing of the instant motion was not wilful, grossly negligent, or reckless. Further, filing the motion did not multiply the proceedings unreasonably or vexatiously.

III.
DISPOSITION

IT IS ORDERED THAT:

1) Plaintiff's Motion for Reconsideration, filed August 24, 1998, is DENIED.
2) Defendants' Request for Sanctions is DENIED.

APPENDIX F

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No. ED CV 96-0142-RT Date: 12/31/96 page 1 of 5
Title: SCHROEDER v. AEL, INC., TRACOR INC.

PRESENT:
THE HONORABLE ROBERT J. TIMLIN, JUDGE

Lenora Pulliam	None
Courtroom Clerk	Court Reporter
ATTORNEYS PRESENT FOR PLAINTIFFS: NONE	ATTORNEYS PRESENT FOR DEFENDANTS: NONE

PROCEEDINGS: ORDER GRANTING MOTION TO DISMISS OF DEFENDANT AEL INDUSTRIES, INC. WITH LEAVE TO AMEND

Defendant AEL Industries, Inc.'s (AEL's) motion to dismiss plaintiff's complaint (which the court treats as a motion to dismiss plaintiff's first amended complaint (FAC)) is GRANTED WITH LEAVE TO AMEND.

The court has read and considered AEL's motion to dismiss, plaintiff's opposition, the declaration of Hector Gallegos and the reply filed on behalf of AEL and codefendant Tracor, Inc. (Tracor)[1]

[1]Tracor moved for dismissal on the grounds that defendant's FAC failed to allege any facts sufficient to state a claim against it merely because of its status as the parent corporation of AEL, its wholly-owned subsidiary. At Tracor's request, the court has treated Tracor's motion to dismiss as a motion for summary judgment and has given plaintiff formal notice of its intent to do so and an opportunity to respond. Tracor is not a party to this motion.

Appendix F

A defendant's shop right to a patented invention is a complete defense to a claim for patent infringement, Wommack v. Durham Pecan Company, Inc., 715 F.2d 963, 964 (5th Cir. 1983); Papazian v. American Steel & Wire Co. of New Jersey, 155 F.Supp. 111, 119 (N.D. Ohio 1957),[2] because it entitles an employer to use, without charge and without liability for infringement, an invention patented by one of its employees. McElmurry. v. Arkansas Power & Light Co., 995 F.2d 1576, 1580 and 1580 n. 8, supra (McElmurry).

A shop right can arise in three basic ways: as an implied license, as an estoppel compelled by equitable considerations, McElmurry, 995 F.2d at 1581-1582, and as a combination of the implied license and equitable estoppel methods. Id. at 1581, 1581 n. 11. Thus, if the allegations of plaintiff's FAC established that any one of these three bases for finding a shop right existed, AEL would be entitled to dismissal of the FAC.

Plaintiff's FAC alleges:

1) before plaintiff began work at AEL, he had already come up with the idea of complementary pairs of radiators, and that he pursued various applications of such proprietary complementary pair technology in connection with other antenna projects (Exhibit A to FAC);

2) when plaintiff signed any patent agreements with his employers, including AEL, he disclosed brief descriptions of his "intellectual property consisting of a wealth of proprietary antenna designs" (Exhibit A to FAC);

[2]Pennsylvania law applies to the employment agreement between plaintiff and AEL and the issue of shop rights. However, although shop rights are creatures of common law, states generally analyze them according to the principles set forth in several leading U.S. Supreme Court cases and followed thereafter by other federal courts. McElmurry v. Arkansas Power & Light Co., 995 F.2d1576, 1580 and 1580 n. 8 (Fed. Cir. 1993).

3) between 1983 and 1988, plaintiff worked for AEL as Chief Scientist and then as Research and Development Department Head in the Antenna Division (Exhibit A to FAC);

4) when AEL needed a "breakthrough" in the mobile HF/VHF antenna area for an upgrade of the Piranha countermeasures product line, plaintiff offered his complementary pair as a solution, "always pointing out the proprietary nature of this design, and calling it the 'SCHROEDER Antenna"' (Exhibit A to FAC);

5) when AEL began a joint venture with Lachute-Sanders to develop the TACJAM-A using plaintiff's proprietary antenna designs, thus exposing his antenna designs to "other Joint Venture companies," plaintiff decided to obtain patent protection, in the form of U.S. Patent No. 4,750,000, "because of the uncertainties in the industry, and because some other companies might steal his ideas" (Exhibit A to FAC);

6) plaintiff filed for U.S. Patent No. 4,750,000 on September 16, 1987, and it was issued on June 7, 1988, while he was employed by AEL (Exhibits A and B to FAC);

7) plaintiff's employment with AEL was terminated on September 6, 1988 (Exhibit A to FAC);

8) plaintiff applied for U.S. Patent No. 4,958,167 on June 7, 1988, while he was still employed by AEL U.S. Patent No. 4, 958,167 was issued on September 18, 1990, after his termination by AEL. (Exhibit B to FAC). Reading the FAC and its exhibits in the light most favorable to plaintiff, it can be inferred that U.S. Patent No. 4,958,167 covers material "without which no working complementary pair can be constructed" (Exhibit A to FAC at 8:25-27);

9) in 1990, AEL used a design protected under plaintiff's U.S. Patent Nos. 4,750,000 and 4,958,167 in its production of a "Jam-on-the-Move" mobile electronic countermeasure system (Piranha II) and in the TACJAM-A mobile communication countermeasure system (TACJAM-A) (FAC, I 5);

10) in 1991 and in subsequent years, AEL entered into production contracts[3] for TACJAM-A, which, as noted above, makes use of plaintiff's U.S. Patent Nos. 4,750,000 and 4,958,167.

AEL contends that the allegations of plaintiff's FAC show that the features covered by plaintiff's U.S. Patent Nos. 4,750,000 and 4,958,167 were "made at the expense of AEL and its employees," (Motion, 12:7-10) i.e., that the implied license basis for a shop right defense exists, because such a shop right arises when an employer has financed the invention by providing wages, materials, tools and a workplace, McElmurry, 995 F.2d at 1581-1582 as well as an opportunity to test, perfect, and reduce it to practice. Id. at 1581 n. 10 and 1582 n. 14.

AEL also contends that the allegations of the FAC show that plaintiff acquiesced in AEL's use of the perfected antenna into the systems AEL was developing and contractually obligating itself to provide (Motion, 12:14-21), I.e., that the equitable estoppel basis for a shop right defense exists, because such a right may arise when the employee's actions, e.g., consent to or acquiescence in the employer's use of the invention, and/or by assisting the employer to make use of the invention without demanding compensation for such use or giving notice of restriction as to its use, would make it inequitable to allow the employee later to assert his or her patent rights against the employer. McElmurry, 995 F.2d at 1581-1582. Sometimes a shop right may arise from a combination of the factors

[3]It is not necessary for purposes of this motion to consider whether merely entering into a contract to produce an item, without actually producing or selling it, could constitute patent infringement.

relevant to the implied license theory and the equitable estoppel theory.

The court concludes that a shop right defense is established on the face of the FAC, at least under the equitable estoppel theory.[4] According to the FAC, when AEL needed a "breakthrough" in antenna technology, plaintiff "offered" the use of his complementary pair technology, and AEL used the "SCHROEDER antenna" in both the PIRANHA and TACJAM-A systems. According to the allegations of the FAC, both the U.S. Patents claimed by plaintiff to have been infringed necessarily would have been involved in the PIRANHA and TACJAM-A systems. Nothing in the FAC indicates that AEL's use of these inventions was conditioned or restricted in any way which would defeat a shop right defense.

Because a more carefully drafted complaint might state facts showing that the equitable estoppel basis for a shop right defense does not actually exist, plaintiff is given leave to amend the FAC. FRCP 15(a); Bank v. Pat, 928 F.2d 1108, 1112 (11th Cir. 1991).

Accordingly, AEL'S motion to dismiss plaintiff's first amended complaint is GRANTED, and plaintiff is given 25 days from the date of this order within which to file and serve a second amended complaint.

[4]Although it is not so clear that a shop right defense based on an implied license theory is established on the face of the FAC, such a defense may well be available to AEL.

APPENDIX G

FIFTH AND SEVENTH AMENDMENT TO THE U.S. CONSTITUTION

ARTICLE V

No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentiment or indictment of a Grand Jury, except in cases arising in the land or naval forces, or in the militia, when in actual service in time of war or public danger; nor shall any person be subject for the mine offense to be twice put in jeopardy of life or limb; nor shall be compelled in any criminal case to be a witness against himself, nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation.

ARTICLE VII.

In suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reexamined in any court of the United States than according to the rules of the common law.

APPENDIX H

TEXT OF RULE 56 OF THE FRCP

(a) For Claimant. A party seeking to recover upon a claim, counterclaim, or cross-claim or to obtain a declaratory judgment may, at any time after the expiration of 20 days from the commencement of the action or after service of a motion for summary judgment by the adverse party, move with or without supporting affidavits for a summary judgment in the party's favor upon all or any part thereof.

(b) For Defending Party. A party against whom a claim, counterclaim, or cross-claim is asserted or a declaratory judgment is sought may, at any time, move with or without supporting affidavits for a summary judgment in the party's favor as to all or any part thereof.

(c) Motion and Proceedings Thereon. The motion shall be served at least 10 days before the time nixed for the hearing. The adverse party prior to the day of hearing may serve opposing affidavits. The judgment sought shall be rendered forthwith if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law. A summary judgment, interlocutory in character, may be rendered on the issue of liability alone although there is a genuine issue as to the amount of damages.

(d) Case Not Fully Adjudicated on Motion. If on motion under this rule judgment is not rendered upon the whole case or for all the relief asked and a trial is necessary, the court at the hearing of the motion, by examining the pleadings and the evidence before it and by interrogating counsel, shall if practicable ascertain what material facts exist without substantial controversy and what material facts are actually and in good faith controverted. It shall thereupon make an order specifying the facts that appear without

substantial controversy, including the extent to which the amount of damages or other relief is not in controversy, and directing such further proceedings in the action as are just. Upon the trial of the action the facts so specified shall be deemed established, and the trial shall be conducted accordingly.

(e) Form of Affidavits; Further Testimony; Defense Required. Supporting and opposing affidavits shall be made on personal knowledge, shall set forth such facts as would be admissible in evidence, and shall show affirmatively that the affiant is competent to testify to the matters stated therein. Sworn or certified copies of all papers or parts thereof referred to in an affidavit shall be attached thereto or served therewith. The court may permit affidavits to be supplemented or opposed by depositions, answers to interrogatories, or further affidavits. When a motion for summary judgment is made and supported as provided in this rule, an adverse party may not rest upon the mere allegations or denials of the adverse party's pleading, but the adverse party's response, by affidavits or as otherwise provided in this rule, must set forth specific facts showing that there is a genuine issue for trial. If the adverse party does not so respond, summary judgment, if appropriate, shall be entered against the adverse party.

(f) When Affidavits are Unavailable. Should it appear from the affidavits of a party opposing the motion that the party cannot for reasons stated present by affidavit facts essential to justify the party's opposition, the court may refuse the application for judgment or may order a continuance to permit affidavits to be obtained or depositions to be taken or discovery to be had or may make such other order as is just.

(g) Affidavits Made in Bad Faith. Should it appear to the satisfaction of the court at any time that any of the affidavits presented pursuant to this rule are presented in bad faith or solely for the purpose of delay, the court shall forthwith order the party

employing them to pay to the other party the amount of the reasonable expenses which the filing of the affidavits caused the other party to incur, including reasonable attorney's fees, and any offending party or attorney may be adjudged guilty of contempt. As amended Dec. 27, 1946, eff. March 19, 1948; Jan. 21, 1963, eff. July 1, 1963; Mar. 2, 1987, eff. Aug, 1, 1987.

APPENDIX I

MOTION FOR NEW TRIAL

Dr. Klaus G. Schroeder
2540 Villafranca Ave.
Riverside, CA 92503
Tel. (909) 353-8640
- PRO SE -

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
EASTERN DIVISION

DR. KLAUS G. SCHROEDER, Plaintiff, v. AEL, INC. and TRACOR, INC. Defendants.	No. EDCV 96-0142 RT (VAPx) NOTICE OF MOTION, AND MOTION FOR NEW TRIAL BASED ON NEW EVIDENCE AND MANIFEST INJUSTICE CREATED BY CLEAR ERROR OF COURT, AND ON MISTAKE AND EXCUSABLE NEGLECT. (FRCP RULE 52,59, AND 60.) Date: 17 September 1998 Time: 10:00 a.m. Place: Courtroom of the Honorable Robert J. Timlin [Memorandum of Points and Authorities, and "Declaration..." included herewith]

TO DEFENDANTS AEL, INC. AND TRACOR, INC.:

Please take notice that on September 17, 1998, at 10.00 a.m., in the Courtroom of the Honorable Robert J. Timlin of the above identified Court, located at Presley Hall of Justice, 4100 Main Street , Riverside, California, 92502, Plaintiff Dr. Klaus G. Schroeder, pursuant to Fed.R.Civ.P. 52, 59 and 60, will, and hereby does, move this Court for a New Trial with respect to the allegation of patent infringement by Defendants AEL and TRACOR as presented in

Appendix I

Plaintiff's second Amended complaint ("SAC").

This motion will be based on this notice, the memorandum of points and authorities attached hereto, and the declaration of Dr. Schroeder attached hereto, and all records and documents on file and/or lodged with this court, all such matters of which the court may take judicial notice, and on such other evidence which may be presented to and accepted by the court in connection with the hearing on this motion.

Please be also advised that the lodging of the resubmitted "Declaration of Articulations of Expectations of Monetary or Other compensation" by Plaintiff Dr. Schroeder was not a motion inasmuch as it a) Was not identified as a motion; b) Was not scheduled on the motion calendar; and c) Was not timely to qualify as a Post-Judgment Motion, because it was lodged on August 12, 1998, prior to Entry of Judgment on August 14.

DATED: August 24, 1998. KLAUS G. SCHROEDER

By: _____
Dr. Klaus G. Schroeder
- PRO SE -

Appendix I

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Appendix I

LIST OF EVIDENCES

1. Declaration of Articulations of Expectations of Monetary or Other Compensation, First Filing attached to Opposition to Motions for Summary Judgment; Lodged on 12 August 1998 including Affidavit under penalty of perjury; Second Filing attached to present motion, including Affidavit.

2. Joint Stipulation on Plaintiff's interrogatories 1 through 12

3. Webster's Third New International Dictionary, Unabridged, 1986, p. 1566. Definition No. 5 of word offer: to place on sale

4. Black's Law Dictionary, Fourth Edition, pp 1547, 1548 on shop right: "It cannot come into existence unless the inventor was an employee of one claiming the right AT THE TIME WHEN THE INVENTION WAS MADE AND REDUCED TO PRACTICE", citing authority No, I) above, Crom v. Cement Gun Co. 46 F.Supp 403 Also: Plaintiff's Employee's Agreement showing employment starting 5 May 1983; and Plaintiff's Patent Notebook entries shown in EXHIBIT A & B of the SAC, showing invention prior to 1983.

5. EXHIBIT B to Plaintiff's Opposition to TRACOR'S Motion for Summary Judgment. (AEL'S Statement of Patent Ownership)

6. EXHIBIT D to Plaintiff's Opposition to TRACOR'S Motion for Summary Judgment. (Article in Aviation Week magazine.)

7. EXHIBIT E to Plaintiff's Opposition to TRACOR'S Motion for Summary Judgment. (Declaration by Ed Korb).

8. EXHIBIT A to Plaintiff's Second Amended Complaint (S..C).

9. EXHIBIT B to Plaintiff's Second Amended Complaint.

NOTE: EXHIBIT A & B of the SAC have been submitted with Affidavits previously under penalty of perjury verifying them.

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TABLE OF AUTHORITIES

CASES

1. Crom v. Cement Gun Co., D.C. Del 46 F.Supp 403, 405
2. Timken-Detroit Axle Co. v. Alma Motor Co. 47 F.Supp 582,585
3. Hobbs v. United States AEC, 376 F2d 488 (5th Cir.)
4. Hobbs v. United States 451 F.2d 849 (reversed for patentee)
5. Moore v. American Barmag Corp. 710 F.Supp 1050, 1 053
6. Francklyn v. Guilford Packing Co. 695 F.2d 1158, 1161
7. Dysart v. Remington Rand 40 F. Supp 596
8. Heywood-Wakefield Co. v. Small 87 F.2d 716
9. Consolidated Vultee Aircraft Corp. v. Garbell, 204 F.2d 946
10. Deye v. Quality Engraving & Electrotype Co. (1950 CP) 44 Ohio Ops 278, 60 Ohio Labs 387, 100 NE2d310, revd on other grounds, 90 Ohio App 324, 47 Ohio Ops 491, 105 NE2d 584, app dsmd, 157 Ohio St. 514, 47 Ohio Ops 369, 105 NE 2d 873.
11. Ft. Wayne C.&L.R.Co. v. Habercorn 44 NE 3221 at app 53 NE 254
12. McNamara v. Powell 256 AppDiv 554, 11NYS 2d 491, (rehearing denied in (1939) 257 AppDiv 913, 12 NYS 2d 773).

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STATUTES

Fed.R.Civ.P. 52(b)
Fed.R.Civ.P. 59(e)
Fed.R.Civ.P. 60(a),(b)

TREATISES

Wright and Miller, Federal Practice and Procedure
American Law Reports, 153 ALR 1004 n and 61 ALR 2 361n
Black's Law Dictionary, Fourth Edition, pp 1547, 1548 (citing 1)
Webster's Third New International Dictionary, Unabridged p 1566

Appendix I

AFFIDAVIT.

I, Klaus G. Schroeder, the undersigned, declare and state that the following is true and correct, and if called as a witness, I could and would testify competently thereto on the basis of my personal knowledge:

1. I am a Professional Engineer in the Federal Republic of Germany. I am currently retired and reside at 2540 Villafranca Avenue, Riverside, CA 92503.

2. The statements made in the attached "Memorandum of Points and Authorities" represent the true facts of the case.

3. The documents presented in EXHIBIT 1 are true and correct copies of the original documents which they represent.

I declare under penalty of perjury under the laws of the United states of America that the foregoing is true and Correct Executed on 24 August 1998 at Riverside, California.

_____

Klaus G. Schroeder

Appendix I

MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION

Plaintiff moves to set aside the judgment and moves for a new trial under F.R.C.P Rule 59(e) and 60 (a) & (b) on the following grounds:

1) There were mistakes in the wording of order [60(a)]
2) There were mistakes in the original submission of crucial evidence [60(b)]
3) There was excusable neglect in the original submission of evidence and of case law [60(b)]
4) There is newly discovered evidence, or newly qualified evidence [60(b)] , [59(e)]
5) Court committed clear error [59(e)]
6) Initial decision/judgment was manifestly unjust [59(e)].

II. CLERICAL MISTAKES

It is requested to correct the following clerical mistakes. While none of them are necessarily gravitating, it is sad that the Court is apparently so overworked that it cannot proofread its own orders.

1) Page 6, line 15: Should be LOCKHEED, not LACHUTE.
2) Page 8, line 4: Should be SCHROEDER not SCHAEFER:
3) Page 9, lines 8, 10 and 12: Should be SCHROEDER, not " "
4) Page 9, line 11: Should be REMUNERATION, not RENUMERATION.

III. MISTAKES BY PLAINTIFF REGARDING EVIDENCE.

1) Declaration of Articulations of Expectations etc. This declaration by Plaintiff was submitted as part of the opposition to AEL's Motion for Summary Judgment, which had an Affidavit attached to it. It could have been accepted under F.R. of Evidence

801(d)(2), but apparently F.R.C.P. Rule 56(c) supersedes and requires 28 U.S.C. § 1746. The resubmission of the Declaration on 12 August 1998 should satisfy all requirements, but Plaintiff is herewith submitting it once more under F.R.C.P. Rule 60(b), because of excusable negligence in the first submission. (See attached Affidavit and Declaration.)

2) EXHIBIT B of Opposition. (Strikken for Lack of Foundation.) The foundation for this evidence is that AEL lied about its ownership of the patents, and even the proprietary rights. It, therefore, stands to reason, that AEL now lies about having been "silent" about the shop right. [60(b): Extraordinary circumstance

3) EXHIBIT D of Opposition. (Strikken as Hearsay.) This evidence is not hearsay. The source of the information is TRACOR itself, and Aviation Week is a well-established technical journal, which has been tested in the past many times as a reliable source of aerospace industry information. It falls into the same category as Webster's Dictionary or other reference publications acceptable as documentary evidence. (Same Grounds)

4) EXHIBIT I of Opposition. (Strikken as Hearsay.) This evidence is not hearsay because the information was released by an official member of the TRACOR Public Relations Department in Austin, who also sent annual reports and FAX's later. (See Rule 801(d)(2)(D) "Statement by party's agent or servant concerning a matter within the scope of the agency or employment, made during the existence of the relationship".) The information regarding the logo on the paycheck was also later confirmed in an answer to one of Plaintiff's interrogatories, obviously because Defendants did not think the logo was damaging evidence. (Plaintiff, of course, thinks otherwise and expects to be given a chance to let a Jury sort this out, since Company Stationery and Paycheck Logos are two different things.) The important information in Ed Korb's statement (given under penalty of perjury) is of course the number of employees at AEL. Since

the number BEFORE MERGER is readily obtainable from records, (e.g. annual report) the number NOW would allow conclusions as to the massive layoffs after merger, which are well known but being obfuscated. (More on interrogatories below.) Grounds under F.R.C.P. Rule 60(b) is "extraordinary circumstance".

IV. MISTAKES BY PLAINTIFF REGARDING AUTHORITIES AND OMISSIONS DUE TO EXTRAORDINARY CIRCUMSTANCE

A. CASES

1. Crom v. Cement Gun Co. 46 F.Supp 403 It is requested that this authority by included because it is cited as reference in the definition of shop right contained in Black's Law Dictionary, the latter being included as both evidence and authority. [Rule 60(b), Extraordinary Circumstance.]

2. Timken-Detroit Axle Co. v. Alma Motor Co. 47 F.Supp 582,585 and cases 3) through 12: It is requested that these cases be considered as authorities because plaintiff was not able to find most of them when diligently shepardizing in the past using Shepard's Book volumes, and was only able to find them recently on the newly installed (within the last six months) Shepard's Federal computer program at Riverside.

B. TREATISES AND REFERENCE VOLUMES

1. Wright & Miller, Federal Practice and Procedure Various volumes of this indispensable compendium are applicable to this motion and it is herewith requested that they are accepted in toto under Rule 60(b), "Excusable Neglect"

2. American Law Reports, Annotated, 153ALR1 004, and 61ALR 2. These two treatises contain comprehensive information and

summaries of authorities/case laws which Plaintiff failed to include in his previous objections by mistake. [60(b).]

3. Black's Law Dictionary, Fourth Edition, pp.1547,1548. This reference volume gives a precise definition, and also cites case No. 1 above in a very specific way. Later case law notwithstanding (which - as shown by Plaintiff previously - always applies to entirely different sets of facts) this is still the most clearly defined authority against AEL's defense of shop right, and its inclusion in the set of authorities presented in this motion is based on F.R.C.P. Rule 60(b) due to the extraordinary circumstances of the order of 24 July 1998 (as delineated below), and on the grounds of excusable neglect.

4. Webster's Third New International Dictionary, Unabr. p. 1566 This authority is included here because it was previously omitted by mistake; because other authorities on the word are mysteriously missing from the applicable volume in the Victor Miceli Law Library; and because Plaintiff diligently tried to explain the meaning of his use of the word "offer" but was previously unsuccessful. Grounds under 60(b) are mistake, excusable neglect (plaintiff was hoping Defendants had a Webster), and extraordinary circumstance.

V. DISCUSSION OF GROUNDS FOR NEW TRIAL

1. General Failure of Court to Follow F.R.C.P. Rule 56(c) In their motions for summary judgment, the Defendants have asked that the case be dismissed before a jury sees all the facts. This is why "...the Court does not make credibility determinations or weigh conflicting evidence, and is required to draw all inferences in a light most favorable to the non-moving party." Plaintiff will show that this Court has not done so, and, therefore, has not fulfilled its obligations: The Court has accepted the Defendants' claims at full value, even making verbatim quotes, but has not given the Plaintiff the same courtesy, and instead questioned

and/or excluded evidence. For this reason alone, the Court must set aside its own judgment and allow a new trial. Specific details are enumerated below.

2. Court failed to Consider "Declaration of Articulations..." On page 1 of its order of 24 July 1998, the Court has refused to consider the "Declaration" by Defendant as evidence. After lodging the resubmitted Declaration including an Affidavit that it was executed under penalty of perjury, and after attaching it to this Motion (including an Affidavit), the "Declaration" will defeat AEL's shop right defense by and of itself.

3. Court questioned Credibility of "Declaration". On page 8 of its Order the Court states that the "Declaration" is in direct disagreement with previous statement by the Plaintiff in the original and first amended complaints. This is not so. Defendant's entire defense of equitable estoppel is based on an erroneous definition of the word "OFFER". As authority No. 4 in the list of "Treatises" shows, the definition of a "free" or "gratuitous" event only holds in the sense of a (religious) sacrifice, hardly the case here. However, definition No, five (5) is: TO PLACE (MERCHANDISE) ON SALE. This is the definition Plaintiff used, and explained time and again, only to be ignored by Defendants and court alike. Clearly, AEL is no church, and Plaintiff was not prepared to make a sacrifice. It is quite obvious why AEL takes this viewpoint, because otherwise the Equitable estoppel defense is moot. It is, however, quite strange that the court takes this view, a view definitely NOT in "..the light most favorable to the non-moving party."

4. The Court Interprets Memo by Plaintiff Erroneously. The memo regarding Plaintiff's proprietary designs includes the statement that Plaintiff "...continue(s) to be happy to have AEL possibly benefit from the existence of a technological edge." Clearly, if AEL had bought Plaintiff's proprietary designs, they would have had the same benefit as from stealing them, except that they

were a lot cheaper when stolen. Nowhere in the memo does it say, however, "I will be happy to allow AEL free use of my designs." The Court, on page 8 of its Order makes this assumption, however, and AGAIN views the facts in the light LEAST favorable to the non-moving party.

5. Court assumes Shop Right is a Matter of Law. There is plenty of case law denying the shop right under the factual circumstances existing in this case:

   a) Black's Law Dictionary citing Crom v. Cement Gun Co. This authority shows on page 1547 and 1548 that shop right "...cannot come into existence unless the inventor was an employee of the one claiming the right AT THE TIME WHEN THE INVENTION WAS MADE AND REDUCED TO PRACTICE", QUOTING Crom v. Cement Gun Co., D.C. Del, 46 F.Supp 403, 405

   b) Ft. Wayne, C.& L. R. Co. v. Haberkorn, 15 Ind. App 479, 44NE 322 later app 22 IND App 531, 53 NE 254, Regarding acquiescence, "...where appliances were invented an patented by a Master Mechanic of the railroad at his own expense and outside his line of duty and were placed upon the cars of the Company at its request and WITH THE KNOWLEDGE OF HIS RIGHTS AS A PATENTEE..." it was held that an IMPLIED PROMISE TO PAY ROYALTY would be inferred.

   c) Dysart v. Remington Rand (1941, D.C.) 40 F.Supp 596 In this case, "...shop right or license...was denied, ... and it was pointed out that the course followed with reference to previous inventions made by [inventor] demonstrated that neither such rights nor any form of title was customarily part of his obligation to defendant company, and it was also noted that the invention in question was made on his time...

d) McNamara v. Powell 256 App Div 554, 11 NYS(2d) 491 Where the inventor... conceived the idea of the improvement outside hours of employment and did not use the defendant's tools and materials in conceiving and perfecting his invention, it was held that the DEFENDANT WAS NOT ENTITLED TO A SHOP RIGHT.

e) Heywood-Wakefield Co. v. Small (1937; CCA lst) 87 F.2d 716 (affirming 1936 D.C.) 13 F.Supp 825, and cert. denied in (1937) 301 US 698, 81 L ed 1353, 57 S Ct. 925) It was held "...that the plaintiff employee conferred no shop right upon the defendant employer, it being shown that employee worked on his idea at his home outside of working hours, and before he left the employ of defendant repeatedly refused to assign his patent or put it in as a "suggestion" or to enter into any arrangements giving the defendant rights therein in the absence of some arrangement for compensation for the granting of such rights, and although defendant spent money in making models of the invention, plaintiff did not REQUEST the making of such models, but MERELY PERMITTED IT AND LENT HIS ASSISTANCE in order that those in authority in the defendant company who believed the invention would meet their requirements might be certain of it, further appeared that defendant did not "tool up" ...according to plaintiff's invention until it had satisfied itself that the invention was satisfactory, and did not make any sales until plaintiff's discharge.

Note: This authority is directly applicable to the case, No. EDCV 96-0142 RT(VAPx), and AEL did not make a sale of the final system until the mid-nineties, and did not have to "tool up" till then. The 1991 system was a PROTOTYPE only.

6. Court Usurped Questions of Fact. The Court steadfastly interpreted the facts of the case in the manner suggested by the Defendants, not allowing Plaintiff's accounting of the

happenings. There are substantial differences, as explained below, and determining the true facts is a matter for the Jury.

a) Employment/Employee Agreement. (See page 2 of Order) The "Employee Agreement" signed by both Plaintiff and AEL is a contract, and contract law supersedes common law. The Defendants claim this contract is "Silent" on the issue of shop right. Plaintiff claims that "all rights" necessarily includes shop right, and if AEL wanted to reserve such right it would have had to specifically include it in the agreement. (E.g. "The following inventions are proprietary to the employee except that AEL reserves a shop right to use these inventions free of charge as long as the employee works at AEL.") There is precedent for a specific inclusion of shop right when the employee has patent rights, as in Consolidated Vultee Aircraft v. Garbell, 204 F.2d 946. Also, in Deye v. Quality Engraving and Electrotype Co. 100 NE2d 310, 105 NE2d 873 (see Table of cases above, No. 10) the Court has concluded that "...parties may contract as they wish and it is entirely within the rights of an employer to contract away a "shop right" which would arise under equitable principles if no agreement were made. An express agreement supersedes an implied right which would come into existence if the parties remained silent." Therefore: Parties are only "silent" if there is no contract, no agreement. As soon as an Employee/ Employment agreement exists, parties are no longer silent. AEL may wish they had been silent, but in fact they were not. ALL rights have been assigned to AEL, except for those inventions listed, which conversely RESERVE all rights to Plaintiff. THIS INCLUDES SHOP RIGHT BOTH TIMES. The Court, however, accepted Defendant AEL's claim of being silent, and thusly made an unwarranted decision on a genuine issue of fact to be resolved by the Jury, and was again not looking at that fact in the light most favorable to the Plaintiff.

b) Plaintiff's Memo (Page 8 of Order) The court declares that this memo confirms the "free" character of the term "offer" in the FAC, both totally unwarranted assumptions, and tantamount to making a ruling on the facts of the case, bypassing the Jury.

c) The Court Interprets the Facts Erroneously In its recapitulation of AEL's "Statement of Uncontroverted Facts.." (page 2 and 3) the court quotes the "Employment Agreement" without mentioning the fact that sixteen patents and ten prior inventions by Plaintiff were EXEMPTED from ALL RIGHTS. The court also failed to mention the term "ALL RIGHTS" (as did Defendant, and claimed that the agreement "is silent" on the issue of shop rights. By taking Defendant's "facts" verbatim, the court has preempted the determination by the Jury, who (being reasonable men and women) may well decide on Plaintiff's interpretation, i.e. shop right is excluded by contract, and all associated case law is moot. Further down, the court repeats AEL's assertion that Plaintiff never "expressly requested royalties or any other special compensation with respect to AEL's alleged use of the subject matter of U.S. Patents..." This implies that AEL was actually USING Plaintiff's designs in a product it sold to a customer. The fact is that AEL did not "use" the patents/ designs in a product or system it sells until several years AFTER Plaintiff was terminated. (See Heywood-Wakefield v. Small discussed above.) AEL is carefully inserting specific language so as to eliminate pro-Plaintiff case law!! The experiments conducted between 1983 and 1988 were strictly exploratory in nature, and aimed at convincing management of the utility of the designs in certain vehicular mounts. Many other designs were investigated, and some were measured also which could have been used by AEL. The major (Later: Only) competitor Hughes Aircraft in Fullerton stayed with the "Sloping Vee" until the prototype procurement in 1991 (approximate date), which it lost to AEL. Therefore, AEL

did not "commit itself" to the government in any way until AFTER the prototype design was complete, years after Plaintiff was terminated.

In the Court's discussion of Plaintiff's "Declaration of Articulations..." (page 8 of order) the Court states: "..during the periods when his inventions were being used and incorporated into AEL products..." (page 8, line8). The facts are that AEL "used" plaintiff's designs only in exploratory models which were not for sale, and built and tested those models so that "...those in authority... who believed the invention would meet their requirements might be certain of it." (See Heywood-Wakefield v. Small, 87 F.2d 716, 57 S Ct. 925) Plaintiff's designs were never incorporated into AEL products during Plaintiff's employment at AEL.

On page 8, line 28, the Court makes reference to Plaintiff's opposition brief as being contradictory to the "Declaration..." But the statement "Had Plaintiff specifically demanded royalties at that meeting, or anytime thereafter for that meeting..." refers to meetings with Lipsky only. He was the antagonist, but there were many others, including Vice Presidents, who were sympathetic to Plaintiff's cause. Hence, there is no contradiction here. Consequently, the facts viewed in their totality (including previous EXHIBITS) paint a vastly different picture from the one suggested by the Defendants and blessed by the court. Obviously, a very strong issue of material facts exists.

7. Court Creates Manifest Injustice by Awarding Fees to Defendant (F.R.C.P. 59(e)) Court has, by its Order of 7-24-98 and subsequent Judgment entered on 8-14-98, awarded Attorney's fees to Defendants. This is manifestly unjust. Even in cases where shop right was awarded, each party was ordered to pay its own costs. See Moore v. American Barmag Corp., 710 F.Supp 1050, 1053. Also, Gilbert W. Francklyn v. Guilford Packing Co., 695

Appendix I

F2d 1158, 1161. (Table of Authorities, Cases No. 5 and 6.)

Since Plaintiff alleges that there is no shop right in our case, (a conclusion easily substantiated and to be confirmed by Jury trial), the award of attorney's fees is doubly and manifestly unjust.

VI. CONCLUSIONS

Under the applicable Rules of the Fed. R. of Civ. Procedure Plaintiff is entitled to the Order of 24 July 1998 and the Judgment entered on 14 August 1998 to be set aside; the motions for summary judgment must be denied; and parties must be ordered to continue discovery, which Court already initiated but results of which were ignored by the Court in its order and judgment.

DATED: 24 August 1998 KLAUS G. SCHROEDER

By: _____
Dr. Klaus G. Schroeder
- PRO SE -

APPENDIX J

"DECLARATION OF ARTICULATIONS OF EXPECTATIONS OF MONETARY OR OTHER COMPENSATIONS"

Appendix J

AFFIDAVIT.

I, Klaus G. Schroeder, the undersigned, declare and state that the following is true and correct, and if called as a witness, I could and would testify competently thereto on the basis of my personal knowledge:

1. I am a Professional Engineer in the Federal Republic of Germany. I am currently retired and reside at 2540 Villafranca Avenue, Riverside, CA 92503.

2. The statements made in the attached "Declaration of Articulations of Expectations" represent the true facts of the case.

3. The documents presented in EXHIBIT' ONE are true and correct copies of the original documents which they represent.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

DATED: 24 August 1998 KLAUS G. SCHROEDER

By: _____
Dr. Klaus G. Schroeder

Appendix J

DECLARATION OF ARTICULATIONS OF EXPECTATIONS OF MONETARY OR OTHER COMPENSATIONS

Undersigned Plaintiff Dr. Klaus G. Schroeder herewith declares the following facts in opposition to Defendant AEL's Motion for Summary Judgment against Plaintiff's second Amended Complaint(SAC).

I, Dr. Klaus G. Schroeder, invented the Complementary Pair Antenna in 1963, first patented it in 1969, and have made several improvements to it since then. (See SAC, EXHIBITS A, B, C, D & H). I have always exempted the Complementary Pair, together with many other inventions of mine, ever since I left Collins Radio in 1967, full well recognizing the considerable potential of my ideas and intending to obtain compensation in the form of royalties, employment contracts or patent purchases. My last employer before AEL, Lockheed Aircraft (now Lockheed Martin) had a very liberal patent policy, with engineers being entitled to royalties even for patents obtained on inventions made while working at Lockheed. (Obviously, such policies benefit both sides...) I was employed at AEL from May 1983 to September 1988. On the first day of employment, (May 2, 1983), I executed an EMPLOYMENT AGREEMENT which excluded/exempted 16 patents and 10 non-patented inventions. This agreement assigned ALL RIGHTS, TITLE AND INTEREST in inventions made while at AEL, and thus excluded ALL RIGHTS TITLE AND INTEREST in pre-existing inventions. (See SAC, EXHIBIT E) I assumed that this agreement encompassed shop right as well. During my employment I performed various development and testing tasks on antennas already being manufactured at AEL. I further performed supervisory duties as Department Head in the Antenna Division. When AEL started to re-design its PIRANHA electronic countermeasure system, Mr. Raymond Markowitz, Vice President of Research and Development at AEL, approached me and asked me if I, the newly hired "Maven" of the Antenna Division, had any ideas on how to make PIRANHA truly mobile. (Up to then, the antenna on PIRANHA had to be

assembled from various parts contained in canvas bags, an effort which took several minutes, and made the crew vulnerable to attacks.) I pointed out that I owned a patentable vehicle-mounted broadband antenna design, but that I expected royalties for the use and/or sale of this design. Mr. Markowitz was reluctant to use my invention, perhaps because of the royalty issue, but Mr. Charles Smith of the Systems Division impressed the importance of bringing some new design to the potential customers upon Mr. Markowitz, and thus Charles Smith "caused AEL to consider using" my invention. At about the same time (July 18, 1983) 1 submitted my detailed list of patentable inventions to my immediate supervisor, Walter Bohlman, as documentation of the various antenna designs which are protected and excluded/exempted under the EMPLOYMENT AGREEMENT (EXHIBIT F of the SAC), again stressing my expectations of royalties if any of these antenna designs were to be used by AEL.

When a trip to the U.S. Army Signal Warfare Laboratories in Manassas, VA, resulted in an expression of great interest in a vehicle-mounted broadband antenna system by the Army, I again stressed the proprietary nature of my design, and articulated my expectations of financial compensation in the form of royalties etc. I informed Mr. Charles Smith, systems engineer for the PIRANHA upgrade program of my desire to receive royalties, and also mentioned this to Mr. Bob Sugarman, another engineer working in the Systems Division, then under the direction of Dr. Harriot, and the vice President of Systems Engineering, Mr. Ed Morgensen. When Dr. Harriot left the company (about 1984), I also informed the new director of the systems Division, Mr. Karl Wieler, of the proprietaryness of my antenna designs, particularly the complementary pair, and my demand for royalties. When the TACJAM-A proposal activity started, it was a logical thing for Charles Smith, who was appointed lead systems engineer to draw my ideas and antenna designs into that activity also. Again, I stressed my demand for compensation and insisted, on numerous occasions, both with systems engineering and with contract management, that

my antennas would be identified as being "Proprietary to Dr. Schroeder" in meetings, on the cover sheets of proposal volumes, and in contract documentations.

I specifically talked to several representatives of the Contract Administration Division, such as Mr. Morgenstern, about such proprietary clauses so as to avoid future difficulties in obtaining royalties.

Meanwhile, I had obtained a good raise, a substantial profit sharing payment, and assurances of monetary rewards if and when we would obtain contracts for systems using my antennas. However, in one of the meetings between company representatives and TACJAM-A team members from Lockheed/Sanders, my proprietary designs were presented without the usual proprietary notices. I immediately sent a memo to Charles Smith, with copies to a large group of people who had previously been told about my intellectual property interest in the Complementary Pair (also called "Schroeder Antenna"), as shown in EXHIBIT 1 attached. Senior Vice President Stephen Lipsky called me into his office the next day, and complained strongly about the memo. He had also invited Ray Griffin, Director of Personnel, to this meeting. This, and the rather emphatic reaction by Lipsky to my memo made me believe that he had mounted some sort of intramural opposition to my royalty demands, to the point where he might even fire me. I had also noted a certain amount of antagonism between Lipsky and Markowitz. Therefore I requested and a received audiences with AEL Chairman Conrad Fowler and then President Dr. Leon Riebman. Mr. Fowler was ready to retire, and could only give me moral support. I thus turned to Dr. Riebman and requested either a specific royalty plan similar to the one I had at Lockheed, or a five-year employment contract. I was told that only Mark Ronald - who was made president when Riebman moved up to Chairman upon Fowler's retirement - had ever received such a contract in the company, and his contract was not going to be renewed. I then repeated my royalty demands, but since no contract had been obtained yet Riebman could not see

any numerical basis for royalties. He encouraged me to stay with the company, however, and said he would hate to see me leave.

Because of Lipsky's angry interrogation, I was forced to be cautious for the time being. When a contract for the "Jam-on-the-Move" antenna installation study materialized with the Army, AEL proceeded to install a demonstration configuration of my antennas on a simulated M-113 Armored Personnel Carrier. I could not have stopped the program without losing my job, and had no desire for such a cataclysmic event. However, when my demands for royalties were still not met (everybody had conveniently forgotten about them), and when Lipsky appointed a new Division Director, who made life a living hell for everybody, I mentioned my disenchantment with Lipsky to the director of the mechanical engineering division, and to Art Gross, Product Line Marketing director. The new Antenna Division Director, Bruce Bogner, was apparently under constant pressure from Lipsky to obtain details on all my novel antenna ideas, which made me decide to obtain patent protection on at least the complementary pair. Furthermore during the Jam-on-the-Move demonstration program Bogner forcefully instructed me to use my complementary pair design and when I articulated my intellectual property rights and royalty expectations gave me an order to use my design. This left no doubt in my mind that refusing to do so would have been called insubordination. Therefore, I made an entry into the AEL patent notebook that the design was my intellectual property, and had it witnessed by Al Sinopoli, an engineering co-op who worked in the laboratory with me. In 1987, I filed for the first of the two new complementary pair patents, based on my 1979 inventions. While I did not want to aggravate the situation with Lipsky, I stressed my proprietary rights in my dealings with other members of AEL management, and with many coworkers. Earlier, when the U.S. Navy solicited proposals for a new "Bi-Mode" missile seeker (adding other frequencies to the existing narrow-band seeker), a member of AEL marketing and Bob Shillady of the Microwave Division came to me and inquired about the possibility of using my (broadband) complementary pair.

I explained to them that it was my proprietary design, and I would only participate if my rights for royalties were fully protected. Therefore, the "Schroeder Antenna" antenna was conspicuously labeled as proprietary in all presentations to the Navy. Various other members of AEL Marketing were also given strong articulations of my expectations for monetary compensation. Late in 1987 or early in 1988 I made a trip to California and visited Hughes Aircraft in Fullerton. I knew that Hughes was also competing for the TACJAM-A development contract, and I contacted my former co-worker (and co-author) Dr. Keith Soo Hoo, and told him I would be interested in providing Hughes with my proprietary Complementary Pair antenna design in case they should win that contract. I explained to them that I would soon hold the patent rights to that antenna, and that I had no intentions to relinquish my intellectual property without compensation. Early in 1988, the AEL marketing engineer Don Macauley contacted the JOINT ELECTRONIC WARFARE CENTER (JEWC) in San Antonio. He told me they were very interested in having AEL build a prototype Jam-on-the-Move system, including complementary pair antennas, mounted on a "HUMMER" (HMWV) vehicle, and asked me for a preliminary sketch showing how this would look. I pointed out to him (he was not involved in the Army contract, marketing responsibilities being divided according to military service) that the whole concept was based on my proprietary complementary pair antenna design, and to make sure to include proprietary statements on any proposal. AEL Systems Division management under its new director (Karl Wieler had been laid off) assembled a JEWC proposal team, and I was not included. At that point it became clear to me that AEL was intent on cheating me out of any compensation for my inventions, and had always been trying to steal my ideas. Therefore, I proceeded to file my second patent application on the complementary pair, this one covering the feed network (feed cable) optimization. The first one covered the basic endfire complementary pair but using wire-outline simulated sheet radiators, as compared to the oldest (1969) patent, which described conical monopole radiators.

Appendix J

In summation I was always, for the entire duration of my employment at AEL, making it clear that I owned the complementary Pair, and that I wanted compensation for allowing a company to use it. It is totally wrong to insinuate I had acquiesced to the unauthorized application of my designs to any product manufactured and sold by AEL. It is wrong to say that I caused AEL to start using my inventions without articulating expectations of compensation. It is wrong to say that I caused AEL to invest large sums of their money in the invention, development or reduction-to-practice. The designs were fully invented, perfected, reduced to practice, and they were excluded/exempted from the EMPLOYMENT AGREEMENT signed by both sides. Based on that agreement alone, the shop right is not possible. Most authorities agree that, even in the absence of the agreement, a shop right cannot exist unless the invention was made at the employer's facility, or while the employee is employed there and does it at home. Using a finished product and then claiming to own it is simply ridiculous.

DATED: 24 August 1998 KLAUS G. SCHROEDER

By: _____
Dr. Klaus G. Schroeder

APPENDIX K

SECOND AMENDED COMPLAINT

Dr. Klaus G. Schroeder
2540 Villafranca Ave.
Riverside, CA 92503
Tel. (909) 353-8640
- PRO SE -

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
EASTERN DIVISION

Dr. Klaus G. Schroeder,
Plaintiff

v.

AEL, Inc. a subsidiary of TRACOR
305 Richardson Rd.
Lansdale, PA 19446

and

TRACOR, Inc., parent co. of AEL
6500 Tracor Lane
Austin, TX 78725

Defendants
Jointly and Severally

Case No. EDCV 96-0142 RT
(VAPx)

SECOND AMENDED
COMPLAINT FOR
INFRINGEMENT OF
PATENTS

28 U.S.C.S. 1338
35 U.S.C.S. 271
35 U.S.C.S. 281
35 U.S.C.S. 282
35 U.S.C.S. 283
35 U.S.C.S. 284

JURY TRIAL DEMANDED

COMPLAINT
I. PRELIMINARY STATEMENT

1. Plaintiff seeks to recover money damages from the defendants for unlawfully manufacturing military electronic countermeasure equipment using Plaintiff's patented antenna designs under contracts, among others, with the "Joint Venture" for TACJAM-A, and for PIRANHA-II. Said antennas are plaintiff's intellectual property, were invented & reduced to practice prior to

employment (EXHIBITS A,B,C,D), were exempted regarding all rights (including shop right) by employment contract (EXHIBITS E, F, G) & patented (EXH. H).

II. ALLEGATION OF JURISDICTION

2. Jurisdiction of this Court is based on patent infringement being a Federal Question. In addition, defendants conduct a substantial portion of their business in California, such as at the U.S. Navy Weapons Center in China Lake, California.

III. PARTIES

3. Plaintiff, Dr. Klaus G. Schroeder, is an adult individual who resides at 2540 Villafranca Ave., Riverside, California.

4. Defendants are: A) AEL, Inc., (a wholly-owned subsidiary of TRACOR), a Pennsylvania corporation located at Lansdale, PA; and B) TRACOR, Inc., a Delaware corporation located at 6500 Tracor Lane, Austin, Texas. TRACOR is the surviving stock company of a cash merger between TRACOR and AEL Industries of Lansdale, PA. The patent infringement has been and is occurring at the AEL plant in Lansdale, PA, and at various customer locations in the United States and elsewhere.

IV. STATEMENT OF CLAIM

5. Between May and August of 1990, AEL, now a wholly-owned subsidiary of TRACOR delivered first production units of a "Jam-on the-Move" mobile electronic countermeasure system labeled "PIRANHA II" to a customer for use in the Gulf War. This system uses the exclusive design protected under U.S. Patents # 4,750,000 and # 4,958,167. On or about 1991, and several occasions in subsequent years, AEL entered into production contracts for substantial quantities of the TACJAM-A mobile communication countermeasure system, whose critical transportable/mobile antennas also use U.S. Patents 4,750,000 and 4,958,167. This production was for the "Joint Venture". In

addition, other antenna designs proprietary to the Plaintiff are utilized in TACJAM-A which have not yet been patented. Plaintiff never acquiesced to this unauthorized use.

6. Plaintiff has given repeated written notice to the defendants of said infringements. Plaintiff has demanded payment, in one way or another, both during and after employment at AEL.

7. As a result of the infringements by the defendants of Plaintiff's patents, plaintiff was deprived of the fruits of his intellectual property, and suffered losses of income from the two aforementioned contracts alone which are conservatively estimated at one million dollars. Defendants have not paid. WHEREFORE, Plaintiff prays for judgment against defendants, jointly and severally, and demands a preliminary and final injunction against continued infringement; an accounting of damages; award of compensatory and punitive damages; award of future royalties; and an assessment of interest and costs against defendants.

DATED: 1-24-97

KLAUS G. SCHROEDER

By: _____

Dr. Klaus G. Schroeder
-PRO SE-
2540 Villafranca Avenue
Riverside, CA 92503
Telephone (909) 353-8640

DEMAND FOR JURY TRIAL

Plaintiff demands trial by jury.

By: _____

Dr. Klaus G. Schroeder
-PRO SE-

APPENDIX L

CROM V. CEMENT GUN CO.

Appendix L

CROM et al. v. CEMENT GUN CO.
No. 145.

District Court, D. Delaware.
June 25, 1942.

1. **Master and servant - 62**

A "shop right" to a patent cannot come existence unless the inventor was an employee of the one claiming the right at the time when the invention was made and reduced to practice

See Words and Phrases, Permanent Edition, for all other definitions of "Shop Right".

2. **Patents - 202(1)**

Royalties to accrue and damages and profits for future infringements are incident to and accompany patent on its assignment, unless separated by express reservation.

3. **Patents - 211(1)**

Where circle segment ditches could not be built profitably without use of patent on ditch trimming device, license properly provided for payments based on square feet of surface lined without regard to whether patented device had been used as a simple method of imposing royalty upon its use.

4. **Patents - 129(3)**

A patent licensee or assignor is estopped to deny the validity thereof.

5. **Patents - 129(3)**

A patent licensee even after entry of decree of invalidity of patent in another suit, is estopped to raise the question of invalidity in respect to royalties accrued before the adjudication.

6. **Patents - 129(3)**

The doctrine that a patent licensee is estopped to deny validity

of patent does not apply where patent owner repudiates the contractual relationship by bringing action in tort for infringement.

7. Patents - 129(4)

In action by patent owner against licensee for royalties accrued under license in which action infringement was charged only as an alternative, the infringement charge was not a "repudiation" of the license so as to permit licensee to question validity of patent.

See Words and Phrases, Permanent Edition, for all other definitions of "Repudiate".

8. Master and servant - 62

Where inventor of patented ditch trimming device who at time of invention was member of partnership acted as licensee's sales agent and jointly with licensee carried out construction contracts in which device was used and partnership compensation consisted of commissions and share of profits and partnership paid own expenses and had as much control over work as did licensee, inventor was not "employee" so as to give defendant a "shop right" in patent.

See Words and Phrases, Permanent Edition, for all other definitions of "Employee".

9. Patents - 214

Where vice president of licensee of patent on a ditch trimming device purchased patent at public sale of assets of licensing corporation under trust agreement to assign patent to inventor and thereafter made such assignment, the transaction did not relieve licensee of royalty obligations under license.

10. Patents - 202(1)

Where at public sale of patent on ditch trimming device licensee's vice president purchased patent under trust agreement to assign it to inventor, subsequent assignment to inventor carried right to accruing royalties notwithstanding letter of licensee's vice president to which inventor did not assent requesting that free license be made a condition of assignment and alleged free license given licensee by licensee's vice president after assignment to inventor.

Appendix L

11. Patents - 202(1)

Where vice president of licensee of patent on ditch trimming device purchased patent at public sale under trust agreement to assign patent to inventor, retention by licensee's vice president of license contracts did not effect a "severance" of the right to receive royalties from the beneficial ownership of the patent.

See Words and Phrases, Permanent Edition, for all other definitions of "Severance".

12. Patents - 129(3)

Under license covenant against questioning validity of patent, licensee was "estopped" to assert the invalidity of the patent in patent owner's action for royalties.

See Words and Phrases, Permanent Edition, for all other definitions of "Estop".

13. Patents - 202(1)

Where vice president of licensee of Crom patent No, 1,776,941, on ditch trimming device purchased patent at public sale under trust agreement to assign patent to inventor, inventor was entitled to an accounting for royalties earned from date of purchase of patent by licensee's vice president.

Action by John M. Crom and National Gunite Contracting Company against Cement Gun Company for infringement of a patent and in the alternative for royalties under a license.

Judgment for plaintiff.

E. Ennalls Berl, of Wilmington, Del., for plaintiffs.

Hugh M, Morris, of Wilmington, Del., for defendant.

KIRKPATRICK, District Judge.

This is an action for infringement of U. S, patent No. 1,776,941, issued to Crom, one of the plaintiffs, and, in the alternative, for

royalties under a license. For all purposes of this controversy the two plaintiffs, Crom and National Gunite, are one, and will be referred to in the singular wherever convenient. The patent is for a ditch trimmer—a very simple machine, the purpose of which is to prepare roughly excavated irrigation ditches or canals for lining with cement, by cutting the sides to the form of a perfectly smooth semicircle. The defendant has used and is using equipment covered by some if not all of the claims of the patent.

The first defence is that the defendant acquired a shop right to the invention—a right which, it is contended, has survived various transfers and licenses under the patent.

[1] Under no circumstances can a shop right come into existence unless the inventor was an employee at the time when the invention was made and reduced to practice. I find as a fact that Crom was not an employee of the defendant in 1927 when the invention was made.

Crom had been at one time an ordinary employee of the defendant and, later, sales manager on a commission basis, but in April, 1923, he was a member of a partnership (Crom and Lindberg) which then entered into an independent contract with the defendant, under which the firm (1) acted as the defendant's exclusive sales agent in certain specified territory and (2) obtained and, jointly with the defendant, carried out construction contracts in which the defendant's cement spraying equipment was used. This relationship continued until January 26, 1928, when it was terminated by mutual agreement.

Neither Crom nor his partner received any salary from the defendant, the firm's compensation consisting of commissions on sales and a one half share of profits from the construction jobs. The firm paid its own expenses including the salaries of its office force. In case a loss was incurred on any construction job, fifty percent of it was carried over and charged against the firm's share of profits on other or subsequent jobs. The defendant financed the contracts, but six percent interest on its advances were charged against the

profits of each job. Finally, although the defendant was given the right to send its officers to the place where the work was being carried on "for the purpose of supervision, inspection or direction," in case of a difference of opinion between it and the firm as to "methods of operation being employed" the matter was to be submitted to an arbiter whose decision, of course, might override the defendant in favor of the partnership. This provision alone, it seems to me, would be sufficient to negative the existence of a master and servant relationship. Control of the details of the work is a prime consideration in determining the nature of the relationship and in this case, the partnership had, on any showdown, as much chance of controlling such details as the defendant. See Restatement, Agency, § 220.

The remaining defences and the plaintiff's alternative claim for royalties, raise the following questions :

(1) Is there a subsisting license from the plaintiffs or either of them to the defendant?

(2) If so, is the plaintiff entitled to the royalties provided by it?

(3) Is the defendant estopped to assert the invalidity of the patent?

(1) The history of the dealings of the parties with this patent is mostly undisputed and proved by documentary evidence. The patent issued to Crom September 30, 1930. The contract bet, veer his firm and the defendant had ended in 1928, and in 1930 he and one Hession were the owners of the recently incorporated National Gunite Company. On May 13, 1931, Crom assigned the patent to the defendant as the first step of a plan for pooling this and another patent (Beasley and Leriche) through the medium of a corporation formed by the parties, called Canal Lining Company, which was to hold the patents and give licenses to the defendant, to National Gunite, and to two other corporations engaged in competing

businesses. The defendant took and held the patent at this preliminary stage as a mere conduit for carrying out the scheme and was not then and has not been at any time since the beneficial owner. In accordance with the arrangement, the defendant promptly assigned the patent to the Canal Lining Company, which Company on June 23, 1931 gave a license under the two patents to each of the four corporations who had joined in creating it. The license to the defendant contained a covenant not to question the validity of the patents.

In March, 1933, Mair, the defendant's vice-president and treasurer, and acting for the defendant, agreed in writing to reassign the patent to Crom or National Gunite, if it should be returned to it by Canal Lining Company. At that time possible dissolution of Canal Lining Company was in the offing.

In 1934 it was finally decided (for reasons not material here) to dissolve Canal Lining Company. Its only assets consisted of the two patents and the four licenses which it had granted under them. As a Preliminary to its dissolution assets were exposed to public sale and on December 21, 1935, were all bought in by Mair.

The only important disputed question of fact arises at this point and, upon it, I find that Mair bought the Crom patent in the capacity of a trustee to assign it unconditionally to Crom or National Gunite. On April 6,'1936, he did so assign it. I further find as a fact that neither Crom nor National Gunite ever assented to the suggestion contained in Clair's letter to Hession of December 13, 1934, to the effect that it should be made a condition of re-assigning the patent to Crom that a free license under it be given to the defendant and to one of the other corporations, and I find that there never was any agreement to that effect.

It seems plain enough that the defendant, at some stage of its dealings with the plaintiff was advised or came to believe that it had a shop right in Crom's patent, and that many of the things which

it said and wrote and many of the steps which it took (including the ex post facto free license by Mair to the defendant on June 19, 1939) were for the purpose of keeping such right alive. Inasmuch as no shop right had ever come into existence and the plaintiff never assented to the defendant's position in that regard, these steps and assertions were ineffective.

The net result of the foregoing history may be summed up by a quotation from the defendant's brief (Point V, p. 21) which is as follows: "The Cement Gun Company has a presently existing formal license under seal granted June 23, 1931 by Canal Lining Company when owner of the Crom patent in suit, and that license contract has never been cancelled or rescinded." I so find.

[2] (2) The assignments of the patent from Canal Lining Company to Mair and from Mair to Crom carried the right to receive royalties under the outstanding license. "* * * Royalties to accrue and damages and profits for future infringements are incident to and accompany the patent unless separated by express reservation * * *." Chemical Foundation Inc. v. E. I. DuPont de Nemours & Co., D.C. 29 F.2d 597, 600. See, also, 48 C.J. Sec. 449, page 276.

Where an assignment conveys all the assignor's right, title and interest, if the right to receive royalties is to be severed from the beneficial ownership of the patent and remain in the assignor, there must be an express reservation or some agreement to that effect. I do not think that the mere retention of the "license" (by which term the parties to this case apparently mean the paper evidencing the right to receive royalties) is sufficient to make the severance, particularly where, as in the present case, it is merely for the purpose of protecting a supposed but nonexistent shop right and is in contravention of the understanding of the parties.

[3] The subsequent conduct of the parties, although somewhat contradictory on both sides, in general indicates that the understanding was that the assignment to Crom carried with it the

right to royalties. After the assignment of the patent and up to 1939 the plaintiff received more than $7,000 from this defendant and one of the other companies in the Canal Lining pool in respect of work on which the apparatus of the Crom patent was used. These payments were at first denominated "royalties", but subsequently, on the request of the defendant, the term was changed to payments for "services." The facts remain that the patent was used and the money was paid, and the effort of the defendant's ,witness to assimilate the payments to something other than patent royalties strikes one as rather lame. That applies also to the defendant's argument drawn from the fact that the license provides for payments based on square feet of surface lined, without regard to whether the patented device had been used. It is perfectly plain that circle segment ditches could not be profitably built without the use of the patent, and the provision was a simple and watertight method of imposing a royalty upon its use.

(3) The defendant being not only a licensee but a licensee who has expressly covenanted not to question the patent, it follows that it is estopped to raise the issue of non-validity in this case.

[4, 5] True, the license was not directly granted by the plaintiff to the defendant, but the plaintiff is in privity with Canal Lining Company and stands for all purposes in its shoes. The law is too firmly settled in all jurisdictions to admit of question that a licensee or assignor is estopped to deny the validity of the patent. See United States v. Harvey Steel Co., 196 U. S. 310, 25 S.Ct. 240, 49 L.Ed. 492; Westinghouse Electric, etc., Co. v. Formica, etc., Co., 266 U.S. 342, 45 S.Ct, 117, 69 L.Ed. 316; Baldwin Rubber Co. v. Paine & Williams Co., 6 Cir., 99 F.2d 1. Even after the entry of a decree of invalidity in another suit the licensee is estopped to raise the question in respect of royalties accrued before the adjudication. Drackett Chemical Co. v. Chamberlain Co., 6 Cir., 63 F.2d 853. Decisions following the general rule are too numerous to require further citations.

Appendix L

[6,7] An exception has been recognized in some cases in which the owner of the patent sued the licensee for infringement. Cold Metal Process Co. v. United Engineering, etc., Co., D.C., 3 F. Supp. 120. Though various reasons have been given, the only logical basis for the exception is that, by suing in tort, the patent owner has repudiated the license and therefore cannot claim the advantages of the contract relation. Tate v. B. & O. R. Co., 4 Cir., 229 F. 141; Paramount Hosiery Form Drying Co. v. Moorhead Knitting Co., D. C., 251 F, 897. But where, as here, the license is asserted as the basis for a claim for royalties and infringement charged only as an alternative there is plainly no repudiation and no reason for not applying the general rule of estoppel.

It is not necessary to consider what the rule is in a case in which a licensee sets up invalidity to constitute the defense of want of consideration. This defense usually depends upon the existence of such general use of the patent by competitors as to make it worthless to the licensee, and the defendant in this case has not raised the question.

The case of Standard Water Systems Co. v. Griscom-Russell Co., 278 F. 703, a Third Circuit derision, requires some attention. The defendant cites it with the suggestion that the Third Circuit does not follow the general rule as to estoppel by license. In spite of some unnecessarily sweeping statements made by the Court in that opinion, I do not think that the decision has the effect of repudiating the general rule. The facts of the case were that the assignor was one of four defendants charged with conspiring with the three others to infringe the patent which he had assigned to the plaintiff. The Court below adjudged the patent valid and further held that all defendants ,were jointly infringing, but entered an injunction against only one of the four-not the assignor. Only the one enjoined appealed. What was before the Circuit Court of Appeals, therefore, was an adjudication of validity against a party, not the assignor (though a joint tort feasor with him in infringing), which, so far as the opinion shows, may have been based solely

upon the estoppel of the assignor to deny validity. Whatever the basis of the adjudication, however, the estoppel was urged in the Circuit Court of Appeals. There was thus real reason for the Court's statement that the public was interested, because there was an unqualified adjudication that the patent was valid. Limited to its facts the case does not deny the general rule but merely establishes an exception to it under rather peculiar circumstances.

These circumstances do not exist in the present case. I am making no adjudication as to whether this patent is valid or invalid, but hold merely that this defendant is estopped to attack its validity and that that issue is therefore not before this Court. I cannot see how the public is interested in the question whether this defendant is bound by its contract and conduct under it to pay royalties to this plaintiff, which is all that is decided.

Subsequent decisions in the Third Circuit do not indicate any intention to depart from the general rule. In National Cash Register Co. v. Remington Arms Co., D.C., 283 F. 196, 198, the District Judge cited the Griscom-Russell case for the principle that "The assignor of a patent is estopped, when sued, by his assignee for infringement, to deny the validity of the patent he has sold." He refused, however, to enter a *preliminary* injunction because estoppel would have been the sole basis for such action, and on this point the Circuit Court of Appeals affirmed. National Cash Register Co. v. Remington Arms Co., 3 Cir., 286 F. 367. Subsequent opinions in the same case (Id., D.C., 293 F. 123; Id., 3 Cir., 4 F.2d 700) make no mention of the issue of estoppel. In the more recent case of United Engineering, etc., Co., v. Cold Metal Process Co., 3 Cir., 68 F.2d 564, Judge Buffington said "* * * it follows that, enjoying and possessing such license, the defendant is not in a position to contest the validity of its licensor's patent, the monopoly and rights to which it retains. Such holding is in line with recognized authorities."

In National Clay Products Co. v. Heath Unit Tile Co., 40 F.2d 617, 618, the Circuit Court of Appeals for the Eighth Circuit stated

the case in terms which leave little doubt as to the rule to apply here. The Court said:

"The defense and counterclaims of defendant are based upon the insistence that the license is subsisting in it. Such being its position, and it being in the attitude of a licensee, it is estopped to deny the validity of the patents covered thereby. * * *

"Furthermore, the license contract itself provided: 'Validity of Patents. The licensee hereby acknowledges the validity of the Letters Patent, for the full term thereof, and agrees at no time either directly or indirectly to attack or question the validity thereof.'

"Appellant cannot claim that it is a licensee under and because of this contract and, at the same time, violate that contract in a very essential provision thereof."

This is precisely applicable to the present case, particularly in view of the defendant's position at the trial as indicated by his brief quoted herein.

The plaintiff's bill must therefore be sustained, and the plaintiff is entitled to an accounting for royalties accrued after the assignment of the patent to it on April 6, 1936. While it is true that the license covers two patents, one of which is not owned by the plaintiff, I do not think that fact presents any insuperable difficulty. I see no reason why an equitable apportionment can not be made upon an accounting. At any rate that question will have to be met when it arises.

The statements of facts contained in the foregoing opinion may be taken as special findings. The following are the Court's conclusions of law:

[8] 1. The contract of April 6, 1923 between Crom and Lindberg and Cement Gun Co. did not create an employer-employee

relationship.

2. The defendant has never had a shop right in the Crom patent.

[9] 3. Nothing in the dealings of the parties or in the circumstances of this case operated as a matter of law to extinguish or change in any way the royalty provisions of the license of June 23, 1931, from Canal: Lining Co. to Cement Gun Contracting Co., the defendant.

4. Mair, in purchasing the Crom patent at the public sale of the assets of Canal Lining Co., took it under a trust obligation to convey it unconditionally to the plaintiff.

[10] 5. The assignments of the Crom patent from Canal Lining Co., to Mair and from Mair to Crom (December 21, 1935, and April 6, 1936) carried the right to subsequently accruing royalties under the license, and such right is now vested in Crom. 6. Mair's letter of December 13, 1934, his free license to Cement Gun Company of June 19, 1939, and the alleged oral free license of March 14, 1936, therein recited, and all other acts on the part of the defendant intended to eliminate the royalty provisions, were without legal effort.

[11] 7. Mair's physical retention of the license contracts or papers did not effect a severance of the right to receive royalties from the beneficial ownership of the patent which was assigned.

[12] 8. The defendant is estopped to assert invalidity of the patent as a defense in this action.

[13] 9. The plaintiff is entitled to have an accounting for royalties earned since December 21, 1935. Judgment is entered for the plaintiff in accordance with the foregoing.

APPENDIX M
HEYWOOD-WAKEFIELD V. SMALL

Appendix M

SMALL v. HEYWOOD-WAKEFIELD CO.
No. 3973.

District Court, D. Massachusetts.
Jan. 2, 1936.

1. Patents - 328

Small patent, No. 1,826,532, covering base for rotatably reversing chair for use in railway coaches, *held* valid as to claims 1, 3, and 7.

2. Patents - 26(2)

Use of elements old and known in one art in a new and useful combination in another and nonanalogous art may constitute invention.

3. Patents - 328

Small patent, No. 1,826,532, covering base for rotatably reversing chair for use in railway coaches, held infringed as to - claims 1, 3, and 7.

4. Patents - 312(3)

Evidence in patent infringement suit by former employee against former employer required finding that plaintiff, who had refused to assign to defendant inventions made on his own time with his own materials, and ,whose work for defendant consisted of checking drawings, was not employed as inventor.

5. Master and servant - 62

Employee whose duties consisted of checking drawings in drafting room and who had no knowledge of alleged custom in employer's plant requiring employees to assign inventions owed employer no duty to make conveyance of patent on improvement made by employee on his own time with his own materials and in his own home.

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6. Master and servant - 62

Employer may have implied shop right in employee's invention applicable to employer's business, where employee uses property of employer to put invention in practical form and allows employer to make, use, or sell specimens without receiving or demanding compensation.

7. Master and servant - 62

Whether employee, hired to check drawings, who on his own time and from his own materials invented chair base applicable to employer's business and showed employer his model, conferred shop right upon employer, was question of fact, and evidence warranted finding, in employee's infringement suit, that no such right was conferred, where employer made up sample bases but employee refused to assign patent thereon.

8. Evidence - 355(7)

Portion of diary of deceased attorney stating that employee in interview had conceded shop right in employer held inadmissible in patent infringement suit by employee against employer, after employee's discharge, notwithstanding statute authorizing admission of statements of deceased person within his personal knowledge (G. L. Mass. c. 233, § 65).

9. Courts - 366(1)

Construction of state statute by highest state court is binding upon federal court.

10. Evidence - 355(7)

Statement of deceased attorney that employee in interview conceded existence of shop right in employer held incompetent as largely a conclusion of law, in employee's patent infringement suit brought after discharge.

In Equity. Suit by Edward F. Small against the Heywood-Wakefield Company for patent infringement, in which defendant

counterclaimed.

Decree for plaintiff, and counterclaim dismissed.

Paul K. Connolly, James H. Baldwin, and Kenway & Witter, all of Boston, Mass., for plaintiff. Herbert A. Baker and Alan B. Bagley, both of Boston, Mass., for defendant.

McLELLAN, District Judge.

This is a suit by the patentee of United States letters patent No. 1,826,532, for alleged infringement.

While an attempt is made to separate findings of fact from conclusions of law, all statements of fact wherever they appear are intended as findings of fact and all legal conclusions as conclusions of law, under the equity rules.

The issues include the validity of the patent, the defendant's contention that it is entitled to a conveyance of the patent, and that at least it has a shop right therein. The infringement of claim 7 of the patent in suit is stipulated, and the question whether claims I and 3 are infringed is to be considered.

The evidence as to the validity of the patent involves no serious question as to the credibility of, witnesses, but the evidence as to the defendant's alleged right to a conveyance and its alleged shop right is conflicting and some of it incredible. This testimony is considerable in amount, and no attempt will be made to summarize it in detail. In other words, facts are to be stated, without an attempt to state the testimony in favor of the facts thus found or the testimony having a different tendency.

Though the briefs of counsel adopt a different order, it seems to me that the first question to be determined is as to the validity of the patent.

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The Validity of the Patent.

[1,2] The patent in suit, No, 1,826,532, was issued to Edward F. Small under date of October 6, 1931, and covers a base for a rotatably reversing chair for use in railway coaches. The specification states that the invention relates to reversion means adapted to a double or single seat with a permanent back supported on a single base, and provides for a lateral movement of the seat on the base to an extent sufficient to clear the wall or window of the car and at the same time a rotation of the seat within predetermined limits, effecting a complete reversal of position. According to the specification, this is accomplished in substance as follows:

The top of the base is provided with a recessed portion of general pentagonal shape. The pentagonal configuration of this recess defines the limits of movement of the reversing elements, the movements of the elements defining the shape of the recess, as the operation would take place exactly the same on the level surface, the recess being provided in order that none of the operating parts need be exposed to outside influences and so that there may be a smooth unbroken joining of the base and chair.

Within the recess are two similar pivoted reversing arms, each of which has a downwardly extending pivot which is fixed and an upwardly extending pivot which is movable. The arms may be considered primarily as radii, and each is of length more than half the distance between their pivot or center. As such their free ends inscribe arcs which intersect at two points. These two points establish the line of the "front to rear" position of the seat. Beyond these intersecting arcs each radius arm may swing until in symmetrical disposition they would reach a position where they may be said to be in deadlock. However, by continued rotation as of the seat, one arm is receded beyond the symmetrical disposition which has been rather arbitrarily designated as a pentagon. By so receding, the other am is permitted or compelled by the linkage of the seat disc to assume the lead of the first arm. This means that the "linkage" has been

reversed or the seat disc rotated 180°.

In normal position the arms are positioned in one or the other of two positions (indicated in Figures 4 and 8 of the drawing). The fixed pivots are placed approximately in the side angles of the pentagonal recess. The two movable pivots are in alignment with the apex of the pentagon midway between the two stationary pivot points; that is, really in the "altitude" of the pentagon.

Each lever moves on its stationary pivot, and the free end of each inscribes its own arc. These arcs intersect; the pivots being held by their pivotal bearing in the seat disc at a predetermined distance from each other on the seat disc. The distance between the pivots must be the distance between the points of intersection of the arcs inscribed by the arms considered as radii; otherwise it would be impossible for the arms to clear each other during the rotation of the seat disc.

To follow the course of the arms during a complete semirevolution of the seat, assume for the purposes of illustration that the seat is facing downward and that it is desired to face the same in the opposite direction, The seat disc and connected seat is ' held in position by means of a stop and a e treadle controlled lock. When the lock is S removed, the seat disc is free to rotate. As ' force is supplied, the arms swing to a position where they are neutral and the chair I can be turned in either direction as desired. Continuing the reversal of the chair, the position of one arm returns while the other arm continues its course of outward travel, i receding to allow the first arm to take the lead. It then follows back to position. At this point the first arm which has been on one side now lies on the opposite side of the other arm.

The next reversal of the seat necessarily must be in the opposite direction, as further movement of the first arm in the same direction will be prevented by the engagement of the end of that arm by the apex wall of the pentagonal recess.

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It is thus possible to move the seat which it is desired to reverse in the general lateral direction until the levers are in the proper position. From that point the seat travels inwardly until the seat disc reaches the desired position. When in either position, the seat is locked by a detent operated by a foot lever.

Claims 1, 3, and 7, on which the plaintiff relies, read as follows:-

"1. In a reversible chair, a base, a rotatable seat structure, and a connection between said base and said seat structure comprising a pair of arms each pivoted to said base and to said seat structure, the distance between the two pivots of one arm combined with the distance between the two pivots of the other arm exceeding the distance between the points of pivotal connection of said arms with said base, whereby the pivots between said anus and said seat are adapted for movement in intersecting arcs, and the distance between the points of intersection of said arcs. * * *

"3. In a reversible chair, a base, a rotatable seat structure, and a connection between said base and said seat structure comprising a pair of arms each pivoted to said base and to said seat structure, the distance between the two pivots of each arm being equal and less than the total and greater than one-half of the distance between the pivots of said arms with said base. * * *

"7. In a reversible chair, a base, a rotatable seat structure, and a connection between said base and said seat structure to permit rotation of said seat structure and to require lateral shifting movement of the latter during its rotation, said connection comprising a pair of arms each pivoted to said base and to said seat structure."

The defendant says the patent is invalid because it involves merely the use of an old and well-known device transferred to a new use not involving the exercise of the inventive faculty.

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There were introduced in evidence nine patents prior in date to the patent in suit. Eight of them pertain to car seats. Only three of the eight are of such importance as to have been mentioned in the defendant's brief. They show that prior to the patent in suit constructions which permitted a chair seat in a railroad, or other car to be moved laterally of the car and reversed in position to face in the opposite direction were well known. The plaintiff concedes this much, but denies its importance. These eight patents contained nothing anticipatory of the plaintiff's invention. They recognized the problem successfully solved by the plaintiff and each was an attempt to meet it, but Small's device was the first simple and entirely successful solution. The defendant relies chiefly on the mechanical movement shown in the Wolcott patent No, 1,617,559 for an electric toaster. In the summer of 1928, and prior to making his invention, the plaintiff received an electric toaster as a gift, which was made in accordance with the Wolcott patent, and this toaster "started a train of thought" in the plaintiff's "mind that eventually turned into a car seat base." The drawing and claims of the Wolcott patent incorporated herein by reference, show a mechanical movement in a toaster very similar to the mechanical movement shown in the plaintiff's patent. Among others are the following distinctions between Wolcott's device and the device if the patent in suit: (1) Small's patent is limited to reversible chairs -Wolcott's to an electric toaster; (2) Small's base would be usable without the links, the disc being supported on and by the base and the links serving only to guide the movements of the seat supporting structure Wolcott's toast carrier is supported solely on and by the links; (3) Small's links are relatively short and are located entirely beneath the chair and beneath the disc-Wolcott's links are relatively long arms and are not at all times beneath the carrier; and (4) Small's device is meant to carry a heavy load-Wolcott's only a piece of toast.

There are, I believe, sufficient distinctions between the devices of Wolcott and of Small so that the former cannot be said to invalidate the latter. Moreover, these two patents cover devices in

widely divergent arts. The use of elements old and known in one art in a new and useful combination in another and nonanalogous art may constitute invention. Hobbs v. Beach, 180 U. S. 383, 21 S.Ct. 409, 45. L.Ed. 586; Trico Products Company v. Apco-Mossberg Corporation (D.C.) 34 F.(2d) 672, affirmed in (C.C.A.) 45 F.(2d) 594, 597; Economy Appliance Company v. Fitzgerald Manufacturing Company (D.C.) 35 F.(2d) 756; Erie Steel Construction Company v. Blaw-Knox Company (C.C.A.) 47 F.(2d) 899; W. N. Matthews Corporation v. Alliance Securities Company (C.C.A.) 42 F. (2d) 439.

The patent involves invention. The invention is a meritorious and valuable contribution to the art. The defendant has made as many as five thousand of these seat bases. These facts strengthen the presumption of validity arising from the granting of the patent, ,which persists in spite of the fact that the Wolcott patent pertaining to an unrelated art was not cited by the Patent Office.

The patent No. 1,826,532 is valid as to claims 1, 3, and 7 relied on by the plaintiff.

Infringement.

[3] The infringement of claim 7 in suit has been stipulated. This is the broadest of the three claims on which the plaintiff relies. The bases manufactured and sold by the defendant employed the principles of the patent in suit, including the limitations contained in claims I and 3. My conclusion is that the defendant has infringed claims 1, 3, and 7.

The Defendants Counterclaim.

The Alleged Right to an Assignment of the Patent:

Whatever construction should be placed upon the defendant's counterclaim as set forth in its answer, the case was tried upon the theory that the defendant was entitled either to an assignment of the patent or to a nonexclusive license to use it without compensation

to the plaintiff. The questions now considered are, therefore: (1) Was the defendant entitled to an assignment of the patent? (2) Has the defendant a shop right in the patent?

There are so many facts which are relevant to both these questions that it is proposed to treat them together.

[4] It is the defendant's contention in substance that the plaintiff was employed as an inventor, and that, even if he was not so employed, there was a well-established custom in the defendant's plant by the terms ,whereof it was the duty of persons employed as the plaintiff, was to assign any inventions which they might make to the defendant. Such conflicting testimony as was adduced with reference to the alleged custom leads irresistibly to the conclusion that, while on occasions employees had assigned their inventions to the defendant, no real custom was established. I have no hesitation in believing the plaintiff's testimony to the effect that he knew of no custom. Nor were the circumstances such that it can be said that the plaintiff as a reasonable man ought to have known of the occasions when any of the defendant's employees assigned their inventions to the defendant. A consideration of a part only of the evidence might seem to warrant the view that the plaintiff was employed to make an invention. A careful examination of all the evidence, with the aid which often comes from seeing and hearing the witnesses, leads me to find, and I do find, that the plaintiff was not employed as an inventor.

In April, 1927, and before the plaintiff's employment began, the defendant obtained a license under patent No. 1,676,010 to one Duffy for rotating car seat bases, in ,which a rotating movement could be had for reversing the direction of the seat and maintaining the position of the chair adjacent the wall. The Duffy base was complicated, heavy, and costly, and was not considered satisfactory by the defendant. Attempts were made to improve it, without any substantial success.

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Small, the plaintiff, was employed by the defendant on or about September 27, 1927, as a draftsman. The duties of the drafting or engineering department are defined in defendant's outline of procedure, Exhibit A, and this, in connection with other acceptable evidence in the case, shows that the drafting department ,vas not charged generally with the duty of inventing new designs, but merely with the duty of making such slight changes in the details of the drawings of the company's standard products as would meet the requirements of different orders so that they would conform to the varying needs of customers.

In the spring of 1928 the plaintiff was given the job of "checker." His duties as such included checking the drawings in the drafting room, checking the work with the drawings as it went through the various departments, and changing the factory orders and drawings in the several departments to correspond with any changes Trade in the originals. This work was a full-time job and kept the plaintiff out of the drafting room from 50 per cent to 75 per cent of the time. Originating new developments was not a part of the plaintiff's duties in this capacity.

According to his testimony, the head of the defendant's car seat department issued instructions to the plant engineer that the engineering (or drafting) department should attempt to design a better base than the Duffy base, one that would be lighter, more efficient, and less costly to manufacture. I find that some such instructions were given to the plant engineer. The defendant urges that the plaintiff and one Chandler, a draftsman, were specifically assigned to this work by the chief draftsman and the plaintiff's immediate superior. As I view the conflicting evidence, no such instructions were given to the plaintiff.

During July, August, and September of 1928, the plaintiff worked on and developed the invention of the patent in suit by making sketches, drawings (including the drawing dated August 14, 1928, marked Plaintiff's Exhibit 3), and models (including a wooden model

which was introduced in evidence and marked Plaintiff's Exhibit 2). All this work was done by the plaintiff on his own time, with his own materials, and in his own home.

About the middle of September, 1928, the plaintiff brought to the defendant his models, including Exhibit 2 referred to above, and showed them to the chief draftsman and others. The plaintiff's co-workers and superiors had no knowledge of his experiments and development of a new type of base until September, when the models were brought in. The evidence was convincing, and I find, that the wooden model brought in by the plaintiff was so complete that those in authority, in the defendant company believed the invention involved in the model would meet their requirements. It was decided by the defendant to make a full-size wooden model, and later metal models of the S (Small) type base. The plaintiff was requested to and did prepare working drawings of his base in the company's drafting room during working hours, was in touch with the Work of making up the models, and lent his assistance to this work. From September, 1928, to April, 1929, several models and sample bases of the S type, were made up by the defendant. Certain changes were made, which did not improve the base. These changes were later abandoned, and the defendant has since made the S type bases in accordance with the principles of the wooden model originally made by the plaintiff at home.

The defendant had what was known as a "Suggestion System," whereby, when any employee had an idea for an improvement, he could put in a "suggestion," and prizes were awarded for those suggestions which appeared to have the most merit. Soon after the plaintiff brought in his model and many times thereafter, he was asked to turn over his invention by means of this suggestion system, but he declined to do so. About the 1st of April, 1929, and after the completion of the final sample base, the plaintiff was asked to sign a patent application and an assignment which had been prepared by the defendant's patent attorney without the plaintiff's knowledge or consent, but he refused. He was offered $250, the total amount

of the prizes provided for by the suggestion system, and declined it. He was asked what he did want for his base, and he came back the following morning, with a price of $10,000. This was taken up with the authorities, and the plaintiff was finally offered $750. On April 15, 1929. Small was taken to the office of the defendant's patent attorney, where he was advised that the defendant had a shop right in his invention, and was free to manufacture the base without compensation to the inventor. The plaintiff still refused to assign his invention or to sign the patent application, and on or about April 22, 1929, he was discharged from the defendant's employ, prior to the time when the S type base was placed in production by the defendant.

[5] The plaintiff, not having been employed to make this invention or to do inventive work in a particular field, and having no knowledge of any such custom as the defendant sought to show, was and is tinder no obligation to convey his patent to the defendant. United States v. Dubilier Condenser Corporation, 289 U.S. 178, 53 S.Ct. 554, 77 L.Ed. 1114, 85 A.L.R. 1488. See, also, Standard Parts Company v. Peck. 264 U.S. 52, 44 S.Ct. 239, 68 L.Ed. 560. 32 A.L.R. 1033, and Solomons v- United States, 137 U.S. 342, II S.Ct. 88, 34 L.Ed. 667.

The Alleged Shop Right: The question whether the defendant under the circumstances acquired a nonexclusive license to use the patent without charge presents greater difficulty. In the solution of this question I derive little assistance from authorities cited to the effect that an invention is not complete until there has been an actual reduction to practice. It will be found that as a rule these cases involved interferences where two or more persons are seeking to establish prior rights to the same invention, and where the question of priority becomes material. No question of priority is here involved. As heretofore found, the plaintiff's models and drawings, as disclosed to the defendant in September, 1928, disclosed an invention. The real question under discussion is whether the circumstances are such as to show a contract between the parties by

the terms whereof the defendant became entitled to a shop right. In this connection I am not unmindful of judicial utterances to the effect that the question is whether the inventor is estopped from denying the existence of a shop right. If a person orders a sack of flour from his grocer and the grocer delivers it, I should prefer to think that the obligation to pay for the flour was based upon a contract, no matter what the customer's secret intention may have been. The same result follows, however, if one chooses to treat the existence of the contract as depending upon the secret intention of the parties and says that a person is estopped from showing that his secret intention was different from that which his words and conduct indicated. The question as to the existence of a contract for a shop right and the estoppel question are treated together as being dependent upon the same facts.

[6] I understand that no controversy between the parties exists as to the general proposition that, where an employee conceives an invention applicable to the employer's business, where he uses the property of the employer to put his invention in practical form and where he allows the employer to make, use, or sell specimens of the invention, no compensation for its use being paid or demanded, an implied shop right may be found. McClurg v. Kingsland, I How. 202, II L.Ed. 102; Gill v. United States, 160 U.S. 426, 435, 16 S.Ct. 322, 40 L.Ed. 480; Solomons v. United States, 137 U.S. 342, II S.Ct. 88, 34 L.Ed. 667; Lane & Bodley Co, v. Locke, 150 U. S. 193, 14 S.Ct. 78, 37 L-Ed- 1049; Wilson v. American Circular Loom Company (C.C.A.) 187 F. 840; Bowers v. Woodman (D. C.) 59 F.(2d) 797.

[7] In the case at bar there are circumstances, as I view them, which are inconsistent with the implication of a contract for a shop right and with an estoppel. This is not a case where the plaintiff sought the defendant's assistance. Nor is it a case where the defendant simply offered assistance to the plaintiff and the plaintiff accepted it. The defendant's expenditures were made under the claim that the defendant was entitled to a conveyance of the invention.

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The expenditures were made for the defendant's own purposes, not for the purpose of assisting the plaintiff. Nor was the plaintiff's expressed conduct consistent with any willingness on his part to grant a shop right to the defendant, and the defendant knew this. From the beginning to the end, the plaintiff's position was that he would not assign his invention to the defendant, as requested, and that all he would do was to sell it for a price. The defendant, having first prepared a patent application and an assignment, asked the plaintiff to sign them. The plaintiff refused to do so. The defendant first offered him a "suggestion" prize of $250. The plaintiff declined it and was asked for a counter offer. After consideration, he proposed a price of $10,000. There ensued an offer by the defendant of $750, which was refused. The plaintiff's invention was complete when he presented his models to the defendant. It was conceived and perfected in his own home, outside of working hours, and with his own materials. The plaintiff did not request that the defendant make models for his use and benefit. He merely permitted it and lent his assistance in order' that those in authority in the defendant company, who believed the invention would meet their requirements, might be certain of it. This work was done for the defendant's benefit, by its volition and with a view to the acquisition, not of a shop right, but of the invention itself. Nor did the plaintiff permit the defendant to make, use, and sell these devices without compensation. His whole course of dealing as disclosed to the : defendant indicated that he regarded the invention as his own and would afford the defendant no rights under it unless and until they should make a satisfactory agreement in regard to compensation. If there are circumstances under which, notwithstanding the foregoing facts, a shop right is to be inferred, this does not seem to me to be such a case. Here, the plaintiff's invention when brought in for the inspection of the defendant's officials was too simple in conception and too far advanced in development to warrant any such inference in the face of the plaintiff's oft-repeated demands for compensation of some sort. The invention consisted of a single movement. The inventive act consisted in applying this movement to a car chair base, when it had never been used before in that or any related field. The plaintiff

had reduced his conception to a fairly complete blueprint and several working models before consulting any official of the defendant. From the moment when the idea was originally submitted to the defendant, there seems to have been very little doubt as to its successful use. As stated by one of the defendant's officials, "It was complete enough so that you could see it was going to meet the requirements." A minor change suggested by the defendant, temporarily adopted, was abandoned as useless.

The creation of a shop right may not here be ruled as a matter of law. If the circumstances are such that the contrary may not be ruled as a matter of law, the question is one of fact. If such be the situation, I am constrained to find as a fact that the plaintiff conferred no shop right upon the defendant. See Massie v. Fruit Growers' Express Company (D.C.) 31 F. (2d) 463; Kny-Scheerer Corporation v. American Sterilizer Company (D.C.) 5 F. Supp. 273; and White Heat Products Company v. Thomas, 266 Pa. 551, 109 A. 685.

The case at bar is distinguishable on its facts from such cases as McClurg v. Kingsland, 1 How. 202, II L.Ed.: 102, and Solomons v. United States, 137 U.S. 342, II S. Ct. 88, 34 L.Ed. 667, in both of which cases the patentee conducted his experiments at his employer's expense while receiving wages and where the facts heretofore found as preventing the implication of a shop right were entirely absent. The Defendant's Request that Certain Excluded Evidence be Now Admitted:

[8, 9] In making the foregoing finding that the plaintiff conferred no shop right upon the defendant, I am not unmindful of certain testimony which was received and certain other testimony which was excluded on which the defendant relies. As heretofore indicated, after the defendant had received from its patent attorney an application and an assignment, and these papers had been presented to the plaintiff and he had refused to sign them, two or three of the defendant's officers or employees were at the office of the defendant's lawyer with the plaintiff. According to the testimony

from the defendant's witnesses, Mr. May, defendant's counsel, in the course of a conversation with the plaintiff, explained to him the legal basis of a shop right, and the plaintiff replied in effect that, having received the described assistance from the defendant, the latter, was entitled to a shop right. Later, the defendant, having shown Mr. May's decease, sought to introduce in evidence a portion of his diary which stated in substance that at the interview the plaintiff conceded the existence of a shop right in the defendant. Not unmindful of American Railway Express Company v. Rowe (C.C.A.) 14 F.(2d) 269, an action at law in which the admissibility of statements made by deceased persons under General Laws, c. 233, § 65, was determined in a majority decision, I excluded the proffered evidence. In its brief, the defendant now asks me to reverse the ruling then made. I decline to do it. In discussing this question it is unnecessary to attempt a solution of the controversial question as to whether in a suit in equity statements made by deceased persons may under the statute be received. Nor is it necessary to indulge in the extended citation of cases. It, was held early that the statute did not render admissible admissions made by one of the parties to the action to a deceased person. As stated by Loring, J., in Knapp v. Bronson Building Company, 226 & Mass. 416, 115 N.E. 671:

"By the true construction of it R.L. c. 175, § 66 [now G.L., chap. 233, § 65], authorizes the admission in evidence of the statement of a deceased person where the statement concerns a fact of which the deceased had personal knowledge. But we are of opinion that this act does not authorize the admission in evidence of a declaration of a deceased person that a party to a cause had made an admission against his interest.

"The case which the Legislature had in mind when it enacted that statute is the case first put above, namely, where the declarant had personal knowledge of a relevant fact and stated the fact and the statement was made in good faith before the commencement of the action. R.L. c, 175, § 66, takes away some of the safeguards which the common law imposed upon the admission of testimony

to protect the party against whom the testimony is directed from error and falsification. There is a material difference in the chances of possible error and falsification in case a party undertakes to put in evidence not the statement of a person who knew a fact but the statement of a person that he had heard a party make a statement ,which was an admission. The statute should not be construed to go beyond the cases plainly within the contemplation of the Legislature."

This construction of a Massachusetts statute by the highest Massachusetts court is binding upon me.

[10] But there are other reasons for excluding the evidence which was offered under the statute. The statement appearing in Mr. May's diary was not only a conclusion, but it was largely a conclusion of law. The entry does not purport to disclose what the plaintiff said to Mr. May, but the latter's view as to the purport of the whole conversation. It should be added that this evidence, if received, adds little or nothing to the case. Upon other testimony I find, though with some hesitation, that, after Mr. May had explained to the plaintiff the legal basis of a shop right, the plaintiff expressed the view that the defendant had one. Such a statement, shortly before his discharge, by a layman to a lawyer, under the circumstances of this interview, seems to me not very helpful upon the question whether from the facts here disclosed I ought to infer the existence of a shop right.

Conclusion.

The conclusion is that claims 1, 3, and 7 of the patent in suit are valid and infringed, and that the defendant's counterclaim is to be dismissed.

APPENDIX N

UNITED ASSN. LOCAL 38 PENSION TRUST FUND
V.
AETNA CASUALTY

Appendix N

UNITED ASSOCIATION LOCAL 38 PENSION TRUST FUND, et al., Plaintiffs-Appellants,
v.
AETNA CASUALTY & SURETY CO., et al., Defendants-Appellees.
No. 84-2667.

United States Court of Appeals, Ninth Circuit.

Argued and Submitted Aug. 16, 1985. Decided June 3, 1986.

In action arising from refusal of insurer and insurance brokerage firm to defend and indemnify trustees under Employee Retirement Income Security Act liability insurance policy in connection with action by Department of Labor charging trustees with ERISA violations, the United States District Court for the Northern District of California, John P. Vukasin, Jr., J., granted summary judgment to defendants, and trustees appealed. 'The Court of Appeals, Gilliam, District Judge, sitting by designation, held that: (1) there was fact question as to whether furnished material constituted notice to insurer of wrongful acts within meaning of claims-made extension clause, precluding summary judgment, and (2) there was material issue of fact as to whether insurance brokerage firm violated fiduciary duty by not informing trustees of their right to extension of coverage under policy, precluding summary judgment.

Affirmed in part and reversed and remanded in part.

Norris, Circuit Judge, concurred in part and dissented in part and filed opinion.

1. Federal Civil Procedure - 2501

In action arising from insurer's refusal to defend and indemnify trustees under Employee Retirement Income Security Act liability insurance policy in connection with action by Department of Labor

charging trustees with ERISA violations, them was fact question as to whether renewal application, return required by Department of Labor showing placement of benefit plan's assets, and audit for pension trust constituted notice to insurer of wrongful acts within meaning of claims-made extension clause, precluding summary judgment Employee Retirement Income Security Act of 1974, § 2 et seq., 29 U.S.C.A. § 1001 et seq.

2. Federal Civil Procedure - 2501

In action arising from insurer's refusal to defend and indemnify trustees under Employee Retirement Income Security Act liability insurance policy in connection with action by Department of Labor charging trustees with ERISA violations, there was material issue of fact as to whether insurance brokerage firm violated fiduciary duty by not informing trustees of their right to extension of coverage under policy, precluding summary judgment. Employee Retirement Income Security Act of 1974, § 2 et seq., 29 U.S.C.A. § 1001 et seq.

Joseph Alioto, San Francisco, Cal., for plaintiffs-appellants.

Sedgwick, Detert, Moran & Arnold, Cynthia H. Plevin, San Francisco, Cal., Donald Farbstein, Farbstein & Brown, San Mateo, Cal., for defendants-appellees.

Appeal from the United States District Court for the Northern District of California.

Before NORRIS and REINHARDT, Circuit Judges and GILLIAM,* District Judge.

GILLIAM, District Judge:

* Honorable Earl B. Gilliam. United States District Judge. Southern District of California, sitting by designation.

Appendix N

This action arises from defendants' refusal to defend and indemnify plaintiffs under an ERISA liability insurance policy in connection with an action by the Department of Labor charging plaintiffs with violations of ERISA.

I. FACTS

Plaintiffs are trustees of the employees' benefit trust funds of the - United Association Local 38 (hereinafter Local 38), a union of plumbers and pipefitters in San Francisco. The funds themselves are also plaintiffs. Defendants are the Aetna Casualty & Surety Company (Aetna) and a wholly owned subsidiary of Aetna, the Standard Fire Insurance Company (Standard), and Huntington T. Block (Block), an insurance brokerage firm which represented Aetna and Standard in their dealings with plaintiffs in this case.

Plaintiffs had an ERISA insurance policy with Aetna, purchased through Block for the years 1975, 1976 and 1977. The claims against which the policy provided protection were claims for breach of fiduciary duty made against the trustees of the Local 38 funds. The policy involved was a "claims-made" policy. A claims-made policy is one which provides coverage only for claims which are made against the insured during the policy period, and not for actions that occur during the effective period of the policy but give rise to a claim only after the policy expires.

Important to this dispute is Clause VII of the ERISA policy for it provided for an exception to coverage only for claims made against the insured during the policy period. Clause VII was a claims-made extension clause and provided as follows:

If, during the policy period hereof, the insured shall first become aware of any wrongful act which may subsequently give rise to a claim against any insured and shall during the policy period hereof give written notice to the company of such wrongful acts, then any such claim which is subsequently made against the insured arising

out of such wrongful act shall for purposes of this policy be deemed to have been first made against &e insured during the policy period. (Emphasis added.)

Under Clause VII plaintiffs were required to send written notice to Aetna informing it of any wrongful acts. In 1977, during the effective period of the policy plaintiffs sought a renewal of their policy with defendants. They filed a renewal application with defendants in 1977 and included a 5500 form. The 5500 form is a detailed return that the Department of Labor requires for benefit plans which shows the placement of the benefit plan's assets. Attached to this 5500 form was an audit for the Local 38 pension burst for the year ending June 30, 1976. Both the audit and the 5500 form provided the information that became the issues in the Department of Labor suit, namely lack of diversification and an improper loan. The audit also stated that the Department of Labor had been auditing the burst fund since 1971 to determine the fund's compliance with applicable federal law. The renewal application, the 5500 form and the audit were all in writing and were sent to the insurance company during the effective period of the policy.

Also important to this dispute is Clause X of the ERISA policy. Clause X was an extension which permitted plaintiffs to obtain an additional twelve months of coverage for certain wrongful acts. Clause X provided:

> ...at any time prior to termination or cancellation of this policy as an entirety, whether by the Insured or by the Company, the Insured may give to the Company notice that it desires to be insured for an additional period of twelve (12) months after the effective date of termination or cancellation, at an additional premium of 25Ya of the premium hereunder, for claims made against the Insured during the said twelve (12) month period by reason of a Wrongful Act committed or alleged to have been committed prior to the effective date of termination or cancellation and

which would be otherwise insured by this policy, subject to the following provision:

(a) such additional period shall be deemed part of the policy period and not an addition thereto;

(b) such additional period of time shall terminate forthwith on the effective date of any other insurance obtained by the Insured or its successors in business, replacing in whole or in part the insurance afforded by this policy, whether or not such other insurance provides coverage for loss sustained prior to its effective date.

Prior to the policy's termination at the end of 1977 plaintiffs did not give notice to defendants that they wished to invoke Clause X so as to extend their coverage through the year 1978. Aetna through Block advised plaintiffs in a letter that coverage would cease on January 1, 1978. Apparently no defendant ever directed plaintiffs' attention to the fact that Clause X was available to them and the policy expired at the close of 1977.

The Department of Labor made no formal claim against plaintiffs until January of 1979 when it filed suit in federal district court. (The Department of Labor had first informed plaintiffs of the possibility of an action against them in May of 1978.) The district court subsequently entered judgment against the plaintiffs for violations of ERISA.

In 1982, pursuant to the ERISA insurance policy, the plaintiffs sought reimbursement from the defendants for costs expended in defense of the Department of Labor's suit, and indemnification for the judgment rendered against them. Standard refused to reimburse for the defense costs or to indemnify on the ground that the insurance policy had expired on January 1, 1978, six months before the Department of Labor's claim was made.

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Plaintiffs' filed this action and the district court granted summary judgment for defendants holding that there was no genuine issue as to any material fact.

II. DISCUSSION

In order to grant a motion for summary judgment there must be no genuine dispute as to any material fact and the moving party must be entitled to judgment as a matter of law. The evidence and inferences that may be drawn from it must be construed in the light most favorable to the party opposing summary judgment. Beckham v. Safeco Insurance Co. of America, 691 F.2d 898, 902 (9th Cir. 1982). An issue of fact is not material unless it has legal probative force as to a controlling issue. Western Transportation Co. v. Wilson & Co., 682 F.2d 1227, 1232 (7th Cir,1982).

A. CLAUSE VII

Defendant argues that the renewal application, the 5540 form and the audit were everyday financial data and cannot therefore constitute notice as required under Clause VII. Defendant also asserts that the language of the policy was clear and unambiguous and since the determination of ambiguity was a question of law summary judgment was properly granted.

[1] If the interpretation of the language of the contract were the sole issue, the court might be able to resolve the matter on summary judgment for only questions of law would be in controversy. *Beck Park Apartments v. United States Department of Housing*, 695 F.2d 366, 369 (9th Cir. 1982). However, this case cannot be so easily resolved, for where the controversy centers not on interpretation of the contract but on whether the terms of the contract were met the case must be submitted to the trier of fact. A determination that the contract was clear and unambiguous can only help the trier of fact to determine whether the terms of the contract were met or not. Whether the renewal application together with the 5500 form and

the audit complied with the terms of Clause VII so as to constitute notice is a material issue of fact for it has legal probative force as to a controlling issue of fact The specific issue here is the meaning or interpretation to be given the material furnished to defendants by plaintiffs. To put it slightly differently, what should the insurance company have understood from the information it was given. Viewed in the light most favorable to plaintiffs, the statements contained in the furnished material at the very least raise a genuine issue of material fact as to whether they constitute the notice that the contract requires. Therefore, a material issue of fact is in controversy and summary judgment as pertains to Clause VII must be denied.

B. CLAUSE X

Having held that the dispute under Clause VII requires reversal of the summary judgment order we are not required to reach plaintiffs' claim under Clause X; if upon remand, plaintiffs prevail under Clause VII, the trier of fact need not consider the claim under Clause X. However, if plaintiffs do not prevail under Clause VII, the availability of a claim under Clause X will become important to their case. Therefore, in order to provide guidance to the parties and the district court we will examine the grant of summary judgement in light of that clause.

Plaintiffs argue that Clause X should be found to have been in effect so as to extend coverage to them for the year 1978. If Clause X had so extended coverage, the claim made by the Department of Labor against plaintiffs, of which they were first notified in May of 1978, would most likely have been covered by the policy. Although plaintiffs did not give notice to defendants that they wished to extend coverage under Clause X for the year 1978 they claim entitlement to such an extension by asserting that defendants had a fiduciary duty to notify them of their rights under Clause X.

[2] As regards Aetna and Standard plaintiffs offer no support for their contention that a fiduciary duty existed. Block, however,

was plaintiffs' agent, *Lien Ho Hsing Steel Enterprise Co. v. Weihtag*, 738 F.2d 1455, 1460 (9th Cir. 1984); *Eagle Star & British Dominions v. Tadlock*, 22 F.Supp. 545, 548 (S.D. Cal. 1938), and there fore did owe them a fiduciary duty. Restatement (Second) of Agency § 387 (1958). Deposition testimony indicates that the scope of Block's duty may have included the giving of notice of the availability of Clause X. The trust administrator testified that he relied exclusively on Block to inform him of his rights and liabilities and various options under the policy. Thus, plaintiffs have offered sufficient evidence to raise a material issue of fact, that is, whether Block violated a fiduciary duty by not informing plaintiffs of their fight to an extension of coverage under Clause X. Summary judgment as pertains to Clause X is reversed for defendant Block; however, summary judgment for defendants Aetna and Standard is affirmed.

AFFIRMED in part and REVERSED and REMANDED in part.

NORRIS, Circuit Judge, concurring in part and dissenting in part:

I concur in the majority's opinion as it relates to Clause X of the insurance policy. I dissent, however, from the majority's reversal of the summary judgment in favor of the insurer. I agree with the district court that the question whether plaintiffs satisfied the notice requirements of Clause VII of the insurance policy presents no genuine issue of material fact. Fed.R. Civ.P. 56.

Clause VII extends coverage to claims made after the policy expires if, during the policy period, "the insured shall first become aware of any wrongful act which may subsequently give rise to a claim against any insured and shall during the policy period ... give written notice to the company of such wrongful acts..." The majority holds that the insurer is not entitled to summary judgment because there is a triable issue of fact as to whether the filing of a renewal application during the policy period constituted notice of a wrongful act within the meaning of Clause VII. The renewal application

included two attachments, the 5500 form and the audit by Touche Ross & Co.

The critical determination made by the majority is as follows: "Both the audit and the 5500 form provided the information that became the issues in the Department of Labor suit, namely lack of diversification and an improper loan." Majority Opinion at 3. I disagree for a number of reasons.

With respect to diversification, I find nothing in the renewal application or attachments thereto that arguably puts the insurer on notice that the trustees may have failed to satisfy the diversification requirements of ERISA.[1] The majority simply pronounces that the Touche Ross audit and 5500 form "provided the information" without telling us what that information was or where it is contained in the audit or 5500 form. The only evidence cited by the majority is a statement in the audit that in 1971 the' Department of Labor selected the trust fund for audit to determine the fund's compliance with applicable federal law. The majority is presumably referring to Note F in the Touche Ross audit, which states in its entirety:

In October 1971, the Trust Fund Administration, together with the U.A. Local 38 Trust Funds, was selected for audit by the U.S. Department of Labor. The purpose of this audit, in the opinion of the attorneys for the above entities, was to determine whether each of the trusts complies with provisions of the Labor Management Reporting and Disclosure Act, the Welfare Pension Disclosure Act, and the Labor Management Relations Act.

In the opinion of the management and of the attorneys for the trust funds (which opinion is subject to a lack of definitive precedents

[1]ELISA states that fiduciaries must discharge their duties with respect to a plan solely in the interest of the participants and beneficiaries and, inter alia

"(C) by diversifying the investments of the plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so...." 29 U.S.C. §1104(c) (1982).

in the area of jointly administered trust funds of this type), no matters have been brought to their attention in connection with this audit that would be expected to result in any material liability to the trust funds. In s addition, management and its attorneys T believe that if any matters which could significantly affect the trust funds were disclosed as a result of this audit, corrective measures could be timely taken to relieve the trust funds of any material liability.

Note F says nothing about diversification. In fact, Note F nowhere discloses the focus of the Department of Labor's audit. Thus, there is no basis for the majority's summary determination that Note F somehow put the insurer on notice of a "wrongful act" by the trustees in failing to diversify.

The majority also refers to an "improper loan," but fails to tell us what information in the Touche Ross audit or the 5500 form arguably put the insurer on notice that the trustees had made a loan that may have been improper. Note F is strikingly silent about loans, improper or otherwise, just as it is silent about diversification.

I find it remarkable that Note F is the only specific piece of evidence relied upon by the majority in reversing the summary judgment for the insurer. Yet Note F, standing alone, is singularly devoid of probative value on the question whether plaintiffs satisfied the requirement of Clause VII that the insurer be given notice of wrongful acts that may subsequently give rise to a claim of breach of fiduciary duty. Indeed, Note F has so little probative value that the plaintiffs themselves did not cite it in their briefs filed in this appeal.[2]

[2] Hence, the majorities reliance on Note F is not only unwarranted, it is also unfair. According to Ninth Circuit General order 4.2, "[i]f a panel determines to decide a case upon the basis of a significant point not raised by the parties in their briefs, it should give serious consideration to requesting additional briefing and oral argument before issuing a disposition predicated upon the particular point." This order protects the integrity of the adversary process by ensuring that each party has a full and fair opportunity to address the relevant issue And yet, the' majority did not permit additional briefing or oral argument on the probative value of the audit, particularly Note F.

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The real basis for the majority's reversal of the summary judgment is hindsight. The majority reasons simplistically that since the insurer was put on notice by Note F that the Department of Labor was auditing the Pension Fund, and since the audit later culminated in charges against the trustees for breach if fiduciary duty for making the loan to the Convalescent Fund, the insurer should have divined that the loan was a focus of the audit.

Not only is the majority's reliance on Note F misplaced, but the majority also fails to mention that in the renewal application itself, plaintiffs expressly disclaimed any knowledge of facts that might give rise to a claim. In response to question nine in the renewal application- "Does anyone proposed for this insurance have knowledge of facts which might reasonably be expected to give rise to a claim or suit under the proposed policy?" -plaintiffs checked the "No" box. That is, plaintiffs gave notice to the insurer that they had no knowledge of any facts that might give rise to a claim of breach of fiduciary duty. Yet they now argue that the same renewal application contained information that should have alerted the insurer that such a claim might reasonably be expected.

Another aspect of the majority's approach troubles me: it effectively blots out the distinction between occurrence and claims-made policies. A doctor could send all of his medical records to the insurer, and an attorney could send copies of all his memoranda, and if a claim arose relating to any of the information contained in these documents, under the majority's reasoning, coverage would exist whether or not the documents provided any reasonable basis to expect such a claim. But if an insured can effectively convert a claims-made policy with an extension clause into an occurrence policy simply by submitting a wealth of documentation, insurers will either stop issuing such policies, or will raise the premiums accordingly.

The only beneficiaries of this lamentable result are the plaintiffs in this case. They had every opportunity to present notice to their

insurer under Clause VII. They had every opportunity to present evidence of such notice in opposition to the motion for summary judgment. In my view, they did neither.